

WHITE HOUSE DOCUMENT PRODUCTION

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS
SECOND SESSION
VOLUME IX

WHITE HOUSE DOCUMENT PRODUCTION
IN RESPONSE TO S. RES. 229

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NEWT GINGRICH
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X000866

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Congress of the United States
House of Representatives
OFFICE OF THE REPUBLICAN WHIP
Washington, DC 20515

March 4, 1994

Honorable Thomas Foley
Speaker
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

I am becoming increasingly troubled about the growing swirl of media reports surrounding the events related to the Whitewater investigation and the involvement of key Administration officials in them. Events are unfolding at a pace which makes it all the more imperative that the Congress carry out its Congressional oversight function. It is a matter of great concern to me that, despite repeated requests, no hearings have been held in the House of Representatives relating to the events surrounding the Whitewater situation.

The time for us to begin to rectify this situation and exercise our responsibility is long overdue. I respectfully request that you convene a bipartisan Congressional leadership meeting as soon as possible early next week so that we can begin discussing how best we can fulfill our Constitutional obligations.

Thank you very much. I look forward to your expeditious response.

Sincerely,



Newt Gingrich

United States Senate
WASHINGTON, DC 20510

March 2, 1994

The Honorable George J. Mitchell
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

We are writing to inform you that we will object to any agreement seeking consent to proceed to the nomination of Ricki R. Tigert, President Clinton's nominee to chair the Federal Deposit Insurance Corporation, until the Senate Banking Committee has an opportunity to thoroughly examine the Resolution Trust Corporation's handling of its civil investigation into Madison Guaranty Savings and Loan.

As you know, the Acting Chief Executive Officer of the RTC, Roger Altman, recently disclosed that he sought a meeting with White House officials to give them a "heads-up" on the RTC's investigation. Needless to say, such a meeting is highly improper and raises very real questions about Mr. Altman's impartiality and the alleged independence of the investigation. Specifically, why were Harold Ickes and Margaret Williams present, in addition to White House Counsel Bernard Nussbaum? According to the Washington Post, Mr. Ickes the Deputy Chief of Staff, is responsible for Whitewater "damage control". Ms. Williams, Chief of Staff for Mrs. Clinton, had previously participated with Mr. Nussbaum in searching Vincent Foster's office and sending all or some of the materials to David Kendall of Williams and Connally who is representing the President and Mrs. Clinton.

We believe public hearings are required to explore these and other questions involving the attendance of political operatives at the White House in briefings by the head of a supposedly independent agency on matters that have nothing to do with the Executive Office of the President.

We regret having to delay the Senate's consideration of Ms. Tigert's nomination. Nevertheless, the American people deserve to have confidence that the RTC conducts its important business in an independent and impartial fashion. A Congressional hearing is an appropriate forum in which to examine the important ethical and regulatory issues raised by the Altman-White House meeting.

Sincerely,

Alfonse D'Amato
[Signature]

Don Rostenkowski
[Signature]

MACK X000867
Re: Clinton sent you this
w/ copies to Ickes
Williams
George +
Bernie
PT.

X000868

Phil Jones
John G. Jones
Long E. Jones
Went. Lott
Don Lott
Conny Nash
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Ch. Miller
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Larry Linder
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Don Lott
Don Lott

X000869

Adm. Staff
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Bob Smith
Wm. L. L. L. L.

John Warner
Dick Lenz
Ky. Bailey Hutchins

cc: The Honorable Donald Riegle, Jr.

X000872



RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

March 3, 1994

The Honorable Donald W. Riegle, Jr.
United States Senate
105 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Riegle:

As you know, I testified before your Committee last week in connection with the semi-annual Oversight hearings on the RTC. I was asked about any contacts which I had with representatives of the White House on RTC matters and described a meeting which I had.

I would like to expand the record as follows. First, to the best of my recollection, no non-public information was provided on this case to representatives of the White House during that discussion. Second, it is my understanding that RTC staff had already had discussions with Senator D'Amato's staff on statute of limitations issues. Third, the Treasury General Counsel, who also attended the meeting, has advised me that before that meeting she sat down with this Department's designated Ethics Officer. She informed him of the purposes of the meeting and asked his view. He advised her that he saw no problem.

In short, there was no discussion whatsoever on the substance of this case. That's because I never have had, nor have, any knowledge of the substance. I have received no documents in that regard, nor otherwise received any information on the substance of this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Altman", written over a horizontal line.

Roger C. Altman

THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

X000873

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This transcript has not yet been checked against videotape and cannot, for that reason, be guaranteed as to accuracy of speakers and spelling of names. (JPM)

CHARLIE ROSE Transcript #1065

March 3, 1994

White House Chief of Staff Mack McLarty

Mr. McLARTY: ...very fine and careful one, and that was one of the points I was trying to make earlier, in terms of the chief of staff's job. That microscope, that scrutiny, the information that people get now about the political process, is much, much broader than it was five, 10, 15 years ago. And talking to some of my predecessors, very few even did any interviews during their tenure as chief of staff. That's one of the dramatic changes. So that's just one of the complexities, the realities that you have to deal with, but I would much rather look at the substantial and fundamental progress that's been made breaking gridlock, getting a budget passed, getting the deficit down, passing NAFTA to open up markets. Those are truly important.

ROSE: I want to talk about that, and I want to talk about the economy, and I want to talk about the *(unintelligible)*—but just stay with me, in terms of Whitewater. Al Hunt, writing in today—

Mr. McLARTY: Very fine journalist and someone I like and respect.

ROSE: Let me tell you what he said on March 3rd.

Mr. McLARTY: Well, I read it carefully this morning.

ROSE: He said, "If Whitewater is to be only an embarrassment, rather than a cancer that eats away at the President's credibility, three steps are in order. Mr. Nussbaum, a nice man and an able Wall Street lawyer, must be replaced. A small Whitewater team must be formed to deal with the intricacies of the scandal, as White House hopes that it would recede after appointment of Mr. Fiuke haven't materialized." and thirdly, he said, "Someone must tell Mrs. Clinton that she's causing a lot of the problems and that continuing threatens things far more important to her," such as her role in the health care deliberations. And what do you think about this? A lot of people saying that Mr. Nussbaum, who has seen to be connected to a lot of these issues, probably ought not be the President's chief lawyer.

Mr. McLARTY: Well, I think Bernie Nussbaum is a lawyer of distinction. He—

ROSE: As everyone does.

Mr. McLARTY: —as he— I want— but I want to underscore that. He has been very loyal and supportive of this president. He has been the person that really was at the forefront of recommending Mr. Fresh for the FBI, Justice Ginsberg for the Supreme Court. So I think we need to balance this ledger out. I think, again, you're going to see these issues in the last two or three administrations,

regardless whether they be Republican or Democratic. These type of issues come up, and there'll be some controversy, and suggestions of this type will be made. ROSE: It's not the first time this has been made. I mean, this is really a question that continues to arise because every time you have these blips like this, with respect to the appearance of impropriety, *(crosstalk)*. Mr. McLARTY: Yes, that's important. No, that's important.

ROSE: Whether it has to do with moving some file from Vince Foster's office and sending it over to the President's attorney, or whatever it happens to be, that you end up with these calls for Mr. Nussbaum's resignation. Is that under consideration?

Mr. McLARTY: Well, I think that's the President's decision. He's expressed confidence in Bernie Nussbaum. I've spoken to some of the reasons that he feels that sense of confidence. I think also, going back to the Whitewater issue, Charlie, you'll recall the decision was made first to be very full in disclosure of documents that were given to the Justice Department, and let me underscore—

ROSE: But— okay, go ahead.

Mr. McLARTY: —please, because this is an important point. In the Justice Department, there were career Justice prosecutors that were charged with the responsibility of the Whitewater matter, and then the next step was to move— that was thought by some not enough, although I think you can make a very strong case that with no credible evidence, no specific charges, that was more than enough steps. But let's take it to the next step on the special counsel, which was called for and ultimately was done, with a very respected man, Mr. Fiuke, whom I've not met. So I think that's where the Whitewater matter rests. I think if you go to the particular meetings, you will find that the ethics office from the treasury, again, a career person, thought that meeting was totally proper.

ROSE: But Mr. Altman says he regrets it.

Mr. McLARTY: And I think the President does, too. I think we all do. I think you said it just right. I think we have to be very judicious, very careful, in any even remote appearance of impropriety about matters such as these, and we certainly will make every effort to continue to do that. That does not mean, Charlie, that we will do things in everyone's eyes just right, and particularly those that perhaps have a different view about certain philosophies and political initiatives.

ROSE: The House of Representatives and the Senate, on the Republican side, are in uproar over this. You have Robert Dole and Newt Gingrich calling for all kinds of things, and comparing—

Mr. McLARTY: Well, you know—

ROSE: —and I realize that's politics, but they seem to say there's a coverup going on here and that there's an ethical lapse, and calling for Senator Riegle, a Democrat, to engage in a— hearings on the part of the Senate Banking Committee.

Mr. McLARTY: Now, Charlie, that's nothing— that's nothing new. The truth is that members of the Banking Committee, including Senator D'Amato's staff, as well as

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Senator Riegle's staff and, I believe, others, were briefed on the same information, all of which was in the public record.

The point is, we've got to be very careful and judicious about any appearance of impropriety, but I would also note that some of the sources are people, and people of great respect, that are now talking about this, also had suggested a special counsel, if it was a person of objectivity and distinction, that that was the right way to handle this matter, and that's precisely what we've done.

ROSE: Al Hunt, to give my colleague a credit, points out—

Mr. McLARTY: And Al can appreciate *(crosstalk)*.

ROSE: —and certainly give him a lot of airtime here, but he points out what a lot of people have said. In many cases, these instances of things like this, there's more—there's more blame in the way it's handled than whatever was alleged in the first place, whatever the merits of the allegations.

Mr. McLARTY: That—and that point is a good one. He makes that about several of the White Houses, not just—

ROSE: Yes. He sure does.

Mr. McLARTY: —okay, not just *(crosstalk)*.

ROSE: And is it possible that, I mean, do you and does the President allow that this thing's been handled badly?

Mr. McLARTY: Uh, I think, in retrospect, Charlie, there's a number of things that you would always do differently.

ROSE: Nothing to do with the merits of it.

Mr. McLARTY: I understand. I understand.

ROSE: And I know that the White House and you believe that nothing has been done wrong here—

Mr. McLARTY: And that's right.

ROSE: —but it's been handled badly.

Mr. McLARTY: Well, I think "badly," I'm not sure I would quite—

ROSE: Choose your own word.

Mr. McLARTY: —*(crosstalk)* words, but I think, in retrospect, you would do something differently, you might have moved quicker on a particular decision or that. But to go back to the central point, I think we simply have to be very careful in how we handle this type of matter, particularly to avoid any even remote perception of inappropriateness or impropriety.

ROSE: The President earlier today said, "I think now that there is an actual formal process underway everyone will be much more sensitive. But I have directed Mack McLarty to prepare a memorandum about how we should handle and respond to any such contacts coming our way in this office, so that we will bend over backwards to avoid not only the fact but any appearance of impropriety." When will that memorandum come?

Mr. McLARTY: That will be done today.

ROSE: It'll be out today?

Mr. McLARTY: It was not discussed, but communicated in the strongest of terms yesterday.

ROSE: From the President to you, or—

Mr. McLARTY: No, from me to the staff.

ROSE: —you to the staff. Yes, we read about that. Saying what, that *(crosstalk)*—

Mr. McLARTY: Well—

ROSE: —cannot allow this to happen because of the appearance?

Mr. McLARTY: Exactly. And while it may be within the bounds of legality and perfectly in operating norms at a different point in time, we do not need to have any contact with any regulatory agency surrounding any of these matters, without proper approval by the proper person in the White House, which will be the deputy general counsel in the White House.

ROSE: Some kind of flashbowl here, isn't it?

Mr. McLARTY: Well, not unanticipated, Charlie. Not unanticipated.

ROSE: Let me talk about some other things here you wanted to talk about, let me talk about them. The economy. Are you worried about what the Federal—what the chairman of the Fed is doing, Alan Greenspan, in terms of short-term interest rates, based on the fear of inflation and what that signal might send to the bond and equity markets?

Mr. McLARTY: Well, Charlie, I would say first we are very encouraged and pleased that in this past year almost two million jobs, 90 percent of which were created in the private sector, were created for Americans. That's more than were created in the last four years. And the deficit reduction plan, which many were critical of, had deep skepticism about, actually has driven—

ROSE: A lot of Republicans were criticizing it.

Mr. McLARTY: —well, you said it, I didn't—but has driven these interest rates down, has fueled this recovery, and what may be the most amazing fact is the deficit reduction has actually come in substantially below earlier projections where, as you well know, as someone who has followed the process here, that's almost unheard of. So we have a lot to be encouraged about. Let me start there.

In terms of the Fed's policy, of course, that's a distinct body. Chairman Greenspan is a person of enormous respect. He has worked properly with this administration.

ROSE: But in the judgment of the White House—

Mr. McLARTY: And you have to balance—you have to balance inflation and recovery, and that's what he's trying to do, and he's made the one adjustment now.

ROSE: Are you a little anxious? Is the President a little anxious that he may be doing too much, and it wasn't necessary to tinker with interest rates right now? Because it was in anticipation of inflation, not the appearance of inflation.

Mr. McLARTY: I think the President spoke on that, that—

ROSE: He was a little—

Mr. McLARTY: —that he didn't want—he wanted to see this recovery continue, and that he respected the Fed's views to be concerned about inflation, which they are charged with, and I think he spoke to that just about in the right way, and hopefully the Fed will calibrate their policy just in about the right way.

ROSE: You hope the Fed was listening to what the President said.

Mr. McLARTY: Well, absolutely *(crosstalk)*.

ROSE: And might not be doing any more tinkering and

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raising interest rates, is what you hope. Is that right?

Mr. McLARTY: Well, what I hope, what we hope, Charlie, let me just be very specific, we want a sustained recovery here. I believe that the roots are deep in that regard, and we're on the right trend line. That's what we want.

ROSE: And you worry that increasing interest rates might have some impact on that recovery and that economic growth that was so brilliant in the last quarter of 1993.

Mr. McLARTY: Well, there's a real balance of inflation and growth. That's the concern.

ROSE: Okay. All right. Look at this. "President's health plan falters in poll, 80 percent say they fear decline in care." It seems that you have lost being on the top of the curve on health care.

Mr. McLARTY: But I think, Charlie, in that — if this is from a couple of days ago —

ROSE: *(cross-talk)* — no, this is today *(cross-talk)*.

Mr. McLARTY: — no, I think it's a couple of days ago, Wednesday.

ROSE: All right. Right.

Mr. McLARTY: I think it says still broad support remains for major goals and principles Clinton espouses, and he stands out in the public's mind as the one person in Washington who is trying hard to improve health care.

ROSE: And if you get health care, he's the one person who will get credit for it, but do you worry —

Mr. McLARTY: I think the people of this country give this President a lot of credit, Charlie, for tackling and addressing the tough issues in this country, and not allowing drift to take place.

ROSE: Deficit reduction, health care, trade.

Mr. McLARTY: NAFTA, opening up markets.

ROSE: Speaking of trade, are you ready to impose Super 301 to get tough with the Japanese?

Mr. McLARTY: Well, I think the President had a very direct and candid conversation with Prime Minister Hosokawa when he was here. I think that it was a very constructive discussion suggesting maturing in the relationship, and I think economic issues, trade issues were separated, were separated from security issues, and that's the way it should be.

ROSE: Yeah.

Mr. McLARTY: Certainly, 301 would be one of our options.

ROSE: You'd use it?

Mr. McLARTY: Well, I think that's the President's decision. I'm sure he'll speak to it when he's made that decision.

ROSE: But he hasn't made the decision.

Mr. McLARTY: I think he is considering his options very carefully.

ROSE: Okay. The question of — last night on my broadcast, Misha Glenny, a distinguished reporter, said there's a U.N. report which knows who caused the bombing in the marketplace. Have you seen that? Do you know anything about this U.N. report?

Mr. McLARTY: I heard about the interview. I did not see

it, and that does not mean I don't watch your program. Charlie, often, and I do, truly, it's an excellent program and I do enjoy it, that's not *(cross-talk)*.

ROSE: So I telegraphed my question that was coming *(cross-talk)*.

Mr. McLARTY: But I did not see that particular interview. I heard about it. I have not seen the report.

ROSE: You have not seen the U.N. report?

Mr. McLARTY: No, I have not seen the report.

ROSE: Saying that — knowing — identifying who, in fact, caused that damage.

Mr. McLARTY: I have not seen that particular report.

ROSE: Yeah.

Mr. McLARTY: I think it's under careful study by the *(cross-talk)*.

ROSE: Have you heard discussions about that U.N. report in the White House?

Mr. McLARTY: Not in a detailed way. Not in a detailed way.

ROSE: But the White House knows what it says?

Mr. McLARTY: Well, I have not been privy to discussions or have just not been involved in those discussions, so I am hesitant to speak on such a serious subject, as I think you'll appreciate.

ROSE: Yea, I do. They asked me to — *(unintelligible)* — because I have a couple of things I want to come at.

What — what is this — what do you — causes you the greatest anxiety and fear as you look at this country and its future, from where you are? And secondly, what makes you most optimistic?

Mr. McLARTY: It's a very good question, very thoughtful question. I am more optimistic, I am more hopeful than not, Charlie. Let me begin by that. I think that this is a time of extraordinary opportunity for this country to really embrace the values that have been so meaningful for so many years in this country, that are so important to all of us and that I was certainly raised with, as were so many others. But not to retreat to the past, but to look toward the future, toward the 21st century, and to understand the changes that are taking place, and to have a forward lean toward those changes, and really move forward together in this country, a sense of community. So I am the most encouraged, I am the most hopeful about that aspect, and that is a theme and a thread that really permeates, we certainly try to have it literally a part of everything we do in this administration.

My greatest fear and concern, and I really was, without being inappropriately personal — I think, having two sons, was a real motivation to serve in this government. I mean, you see the future, and that's what you want, to try to make a modest contribution — is that somehow we will not have the resolutions, the self-confidence to really address these issues facing us, to make the decisions we need to make and to move forward. I suppose that would be my deepest concern, that somehow the narrow view of not coming together, in the sense of community, would somehow be an impeding force and that we would not achieve the kind of future that our children and grandchildren so much deserve.

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ROSE: They asked me to close it. I just have one more question tonight.

Mr. McLARTY: Well, I might have gotten a little long-winded on that one.

ROSE: No, just one last question, I promise you. The President spoke, and I thought eloquently, about—in his year-end interviews, about the frustration that he has over the cynicism about government.

Mr. McLARTY: No question about it.

ROSE: —and that goes to, when you talk about taxes, it's not that the American people are not willing to make a sacrifice, it is that they worry about how wisely the money will be spent.

Mr. McLARTY: The value for the dollar.

ROSE: The value for the dollar.

Mr. McLARTY: Exactly.

ROSE: It has to do with health care. Can the government—right or wrong, the concern is if the government takes over this, what's it going to be like? Where does this come from, and how do you change that? How do you connect a government to a people?

Mr. McLARTY: Well, I think—

ROSE: One thing, you have to have a leader to do it.

Mr. McLARTY: —well, I think we have a person with the empathy, the ability to connect, and an extraordinary ability to communicate with the people of this country, indeed, the people of this world. But I think you have competing forces. You have hopes lifted, that people believe we can do better and we're moving in the right direction, but a cynicism, a skepticism that you appropriately state, and those two come in conflict and we have turbulence. I think step-by-step, measured, steady progress, with the vision and eye toward where we want to move this country in the—towards the 21st century.

ROSE: In the end, that's the hardest challenge, isn't it, to turn this notion that government—the President has clearly shown that he can—that he wants to change things. It is, in a sense, to grab the attention of the public, to say, you know—to eliminate that.

Mr. McLARTY: I think you have to have both, both the vision and the steadiness to show up for work every day and try to get something done that connects with people and makes their lives better. That's our challenge.

ROSE: Thank you for coming.

Mr. McLARTY: Charlie, thank you.

ROSE: Okay. Thanks very much.

Mr. McLARTY: It's my pleasure to be with you this evening.

ROSE: My pleasure. Thank you very much. We'll be right back. Stay with us.

3-4-84

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* 2 FBI agents served them

- Counsel's ofc. FBI called Kennedy. Kennedy notified staffer.
- Gathered in counsel's ofc - served shortly after 7 p.m.
- Add'l subpoena served on Exec ofc of Pres to protect records & documents
- Returnable Mond 10 @ 10 am. Special Counsel's ofc to be ~~with~~ contacted to work out details.
- Staffers notified this afternoon
- Mack notified Pres around 6 p; he ^{ordered} staff to ensure all
paper stop
taken; can
- Any one else? We're checking, and if we find ~~any other~~ + people there were other contacts, notify special counsel
- Nothing to hide; cooperate fully
- Defense? Up to each person.
- Can it be pro bono?
- First Lady? Assume so, but not sure.
- President? Has ~~called for~~ full welcomed full investigation.
Wants staff to cooperate fully.
- Expect it? ~~with~~ Not unexpected.
- Welcome this. Full investigation & we plan to cooperate fully.

[Lisa Caputo, Maggie Williams
Harold Ickes, Bruce Lindsey, Mark Gearan, Bernard W.

X000879

RTC Tic-Toc:

* The White House first learned about the meetings with Bernie Nussbaum and members of the Treasury Department staff members on Tuesday from inquiries from the Washington Post. [When did the President first learn of them? Did Mack tell him? If not who?]

* Tuesday or Wednesday morning Mack spoke to the President about lingering questions concerning the meeting with Roger Altman and White House officials [and also about Washington Post inquiries about the two Nussbaum meetings.]?

* The President and Mack talked about the questions related to this issue at which point the President made it very clear that he wanted the White House staff to avoid even the appearance of impropriety.

* The President then directed Mack to clarify the rules on Executive Branch contact with other government agencies and departments. Mack decided to write this in memo form for the entire White House staff.

* At the Senior Staff meeting on [Wednesday/Thursday morning] Mack made it clear that White House officials must be careful to avoid even the appearance of impropriety in dealing with independent agencies looking into the Madison Guaranty/ Whitewater matter.

* Mack then began to look at and define the rules and guidelines for White House contact with independent government agencies and answer questions raised by the Washington Post.

* Mark Gearan became the point person for the Washington Post story. He worked with members of the White House counsel's office to draft the necessary responses. [He did not talk to Treasury Officials relating to the Washington Post inquiry].

X000800

RTC Talking Points:

- * "Nothing inappropriate happened at either of these meetings."
- * "In retrospect these meetings should never have happened."
- * "October 1993 none of this was an issue- We did not know at the time of these meetings what we know now."
- * "Mack circulated a memo laying out strict guidelines for White House contact with independent agencies and this will demonstrate that this White House will bend over backwards to avoid even the appearance of impropriety."

Nussbaum Meetings Tic-Toc

- * On September 29, 1993 there was a briefing in the office of Bernard Nussbaum. At the meeting were, from the White House, Nussbaum, Neel Eggeston, and Cliff Sloan, and from Treasury Jean Hanson, Josh Steiner, Ron Noble, and Jack DeVore. The meeting was a briefing about the Treasury Department report on Waco that was to be released the following day.
- * Jean Hanson stayed behind after the meeting was over and told Nussbaum that the RTC [had or was going to refer the Madison Case to the DOJ???] Nussbaum called Cliff into his office and Jean repeated her conversation to him. Cliff remembers that Hanson told him ~~that there were several matters referring to the Clinton's~~ including the 1984 Clinton Gubernatorial campaign but they were not targets.
- * [Cliff and Bernie telephoned Bruce Lindsey and informed him about their conversations with Jean. They told no one else. Bruce did not tell the President or First Lady.]
- * Hanson then called Neel and Cliff over the next two weeks--from September 29 to October 14--to discuss press inquiries into this matter. Specifically, a reporter came to an RTC investigator's house to talk about Vince Foster and Seth Ward.
- * Neel and Cliff did not advise her to do anything. They reported the calls to

3/3/94

WH11

X000884

Bernie

- mtg w/ Jean Hanson 9/29 (?)
- told Bruce Lindsey that RTC was about to refer Madison case [probably assumed to DOJ]

Bruce Lindsey didn't do anything w/ info from ~~Cliff~~ Bernie via Cliff.

- When we were reviewing Roger's testimony, Roger said he came to discuss RTC.
- RA said he had one substantive contact w/ WH. Jean Hanson + RA requested mtg w/ Bernie to discuss procedure w/ ref. to 2/28 deadline... explained process RTC would follow. "That was whole conversation." RA said he was asked one question...
- WH officials later recalled that Roger had raised issue of whether he should recuse. WH officials ~~said~~ say they advised him to look at the legal ethical obligations + make decision. (subtext: If there is no legal obligation, don't [!])

X000885

- John, Neil, Cliff, etc met to review Roger's testimony & make sure we're ~~acc~~ accurate.
- ~~See~~ John P. Then talked to Roger, told him that he had misspoken - could be misleading...

assumed there was a way to correct record... write letter, etc. decided to leave it up to him how to do it

X000886

In retrospect, the meeting probably
shouldn't have occurred. But
at the time,

Cliff

9/29 — ? Treas. / Waco report
Wed. Night before

Bernie got info, briefed Bruce L.
Cliff talked to him later ... ?

Bruce doesn't remember talking
to Bernie; Cliff ~~can~~ come by
a few days later.

* Presented as a fait accompli

Jean + Bernie. Then Cliff pulled in.
Treas. briefing in Bernie's office
Ron Nold, Dave, Steiner, etc.

— ~~5 min~~ A few minutes — less than 5,
one or two? Can't remember

X000887

Cliff - remember 8-9 matters.
Clinton's mentioned; weren't
The subject or targets. Mentioned
something about 1984 Campaign

Phone calls - often initial
conversations. She called Neel/Cliff.
Relating press inquiries. Reporter
had shown up @ RTC investigator's
house & was asking about Vince,
Jeth Ward.

In the phone calls... said she had
been wrong about Altman sending
over materials. Suggested & looking
at 1992 a Benth article.

Didn't advise her to do anything.
Reported calls to Bruce & Bernie.

[Lindsey wrote memo to the
file about it 10/14 mtg]

Neel, Cliff, Jean, Jack, Josh
Mark, Bernie.

→ set up thru Mark.

Possible Questions on Status of S&L Probe
March 3, 1994

X000888

1. Did the information Jean Hanson give to Bernie Nussbaum help the White House to formulate a strategy for the ongoing Whitewater investigation?
2. Other than the meetings reported, have there been any other meetings with White House officials, Treasury officials and RTC officials on this matter?
3. When did the President know about the Hanson/Nussbaum encounter?
4. When did the President know about the late October meeting with Nussbaum, Gearan, Treasury officials, and Hanson?
5. When did the First Lady know about the meetings?
6. Who asked for the second meeting?
7. Did participants in the second meeting disseminate the information to the President? First Lady?
10. Does the President think this matter should be referred to the special counsel?
11. Does the White House Communications office talk regularly with Treasury public affairs about the ongoing investigation?
12. Roger Altman said last week he showed "bad judgement" in conducting the briefing with Hanson. Does the White House think they showed bad judgement in meeting with Hanson and Treasury officials about the ongoing investigation?
13. Does the White House think Treasury or White House officials should comply with Senator D'Amato's request for a special hearing by the Banking Committee?
14. What does McLarty's memo say? When will it be released to staff? What staff is affected by the memo?
15. Was the Hanson/Nussbaum meeting inappropriate? Was the Hanson, DeVore, Gearan, et al, meeting inappropriate? Does the White House think the Roger Altman meeting was inappropriate? If not, then why is McLarty sending a memo that says contacts between Treasury and White House officials be stopped?
16. Does the president still have confidence in Bernie Nussbaum counsel?
17. Who is researching the rules? What have you found out about the rules?

REDACTED

Telephone Log for DEE DEE MYERS
Telephone Calls for 03/03/94

X900889

Page #: 1

| | | | |
|----------|-------------------------------------|---|--|
| 09:52 AM | <input checked="" type="checkbox"/> | Car: Fax: | Taken By: DAVE |
| 10:23 AM | <input checked="" type="checkbox"/> | Car: Fax: | Taken By: DAVE |
| 10:33 AM | <input checked="" type="checkbox"/> | Car: Fax: | Taken By: DAVE |
| 11:09 AM | <input checked="" type="checkbox"/> | Car: Fax: | Taken By: DAVE |
| 11:17 AM | <input checked="" type="checkbox"/> | Car: Fax: | Re: Whitewater Taken By: DAVE |
| 11:29 AM | <input checked="" type="checkbox"/> | Car: Fax: | Re. Super 301 Taken By: DAVE |
| 11:30 AM | <input checked="" type="checkbox"/> | JEHL, DOUG NY TIMES Ph #: (202) 862-0403 Home: Other: Car: Fax: | Date of Bernie mtg? 9/29 When did Pres. direct Mack? - looks like referral was about to Made Taken By: DAVE told Bynae |

REDACTED

| Telephone Log for DEE DEE MYERS Telephone Calls for 03/03/94 | | | Page #: 2 |
|---|--|--|-----------|
| 12:07 PM | | X000890 | |
| <input checked="" type="checkbox"/> Answered | Car: Fax: | Taken By: DAVE | |
| 12:13 PM | MITCHELL, ANDREA NBC Ph #: (202) 885-4363 Home: Other: Car: Fax: | 1. Memo 2. briefing? 3. Any other contacts? 4. Response to Dale Taken By: DAVE | |

Bernie

X 2632

Bruce Lindsey
X 2668Bernie or Cliff
- apparently mentions BC/HRC

- subject @ old altman mtg
broader... altman mentioned
that he was thinking about
focusing

Roger said: one subst. contact w/ MIT staff
- I init. it. Team 01 requested to describe
procedures 2/28 deadline... explained process
RTC would follow. That was the whole
conversation. Was asked one question.

- Had no contact w/ HRC, BC

- RTC had no other contact ... NOT TRUE

WH informed him diff. way... ^{assume he'll amend} next week

X000891

TALKING POINTS ON CONGRESSIONAL HEARINGS ON RTC

2-22-94

BACKGROUND:

Congressional hearings on the Resolution Trust Corporation, a Treasury Department unit and the government's chief savings and loan clean-up agency, are scheduled to begin this week. The Wall St. Journal reported today that this will give Republicans their first chance to grill administration officials, including Secretary Bentsen and Roger Altman, over legal issues related to RTC handling of Madison Guaranty.

Altman is interim RTC chief. The Senate Banking Committee has set a Thursday hearing to receive the Thrift Depositor Protection Oversight Board, which monitors the RTC. Bentsen is chairman of the oversight board, Altman is a member. The Journal reports that Altman is expected to get special GOP attention on whether, as a former college classmate of the President, he should recuse himself from matters involving Madison. To date he has not done so.

Per Howard Schloss, Department of the Treasury

AS BACKGROUND:

- * They would like us to say as little as possible about this. Bentsen/Altman's testimony is still being written. Altman has tried to emphasize that he has had no contact with the White House over this matter. Therefore, we should not be in the position of discussing his actions in regard to Madison.

MAJOR TALKING POINTS:

- * As Mr. Altman is interim CEO of an independent agency, it is not appropriate for the President to tell Mr. Altman whether or not to recuse himself. Mr. Altman has made statements regarding his position in the past, which I believe stand for themselves. For further comment regarding his role in this matter, I would refer you to Mr. Altman.
- * Q: Is the White House worried about the hearings?
A: Not at all.

X000892

U. S. SENATOR

Al D'Amato**News
Release**

NEW YORK

Contacts: Washington • Frank Coleman • 202/224-6498 New York • Zenia Mucha • 212/736-3865

FOR IMMEDIATE RELEASE:
Thursday, March 3, 1994**CONTACT:** Frank Coleman
(202) 224-6498**REPUBLICANS DEMAND HEARING ON SECRET WHITE HOUSE BRIEFING****D'AMATO, DOLE LEAD 43 IN BLOCKING CLINTON 'PAL' FOR FDIC POST**

WASHINGTON — U.S. Senator Alfonse D'Amato (R-NY) and Minority Leader Robert Dole (R-KS) today announced Republicans are blocking the nomination of Ricki R. Tigert to head the Federal Deposit Insurance Corporation (FDIC) until the Banking Committee holds hearings on the secret Whitewater briefing given by the acting head of the Resolution Trust Corporation (RTC) to top White House staffers.

The GOP position was outlined in a letter to Majority Leader George Mitchell, signed by 43 GOP Senators, citing the "heads up" briefing acting RTC head Roger Altman gave about the agency's supposed independent investigation of Madison/Whitewater to White House Counsel Bernard Nussbaum, Deputy Chief of Staff Harold Ickes, Hillary Clinton's Chief of Staff Margaret Williams and Treasury General Counsel Jean Hansen.

Calling the meeting "highly improper," the letter said it raised serious questions about the alleged independence of the RTC's investigation and the interference of senior White House political operatives in a regulatory matter.

"The American people deserve to have confidence that the RTC conducts its business in an independent and impartial fashion," the Senators wrote. "A Congressional hearing is an appropriate forum in which to examine the important ethical and regulatory issues raised by the Altman-White House meeting."

The disclosure of the secret "heads up"—as Altman called it—about the status of the agency's investigation into the Madison Guaranty collapse came at an RTC oversight hearing last Thursday in the Senate Banking Committee.

Despite all evidence to the contrary, the White House has continued to maintain that the briefing was proper and that the briefings were provided to Congress and the press.

same briefings were provided to Congress and the press. 10-10-78

Forty-one Senators is the number needed to effectively prevent action in the chamber.

X000893

A copy of the text of the letter is attached.

-fc030294-

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X000894

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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS

WASHINGTON, DC 20510-8075

STEVEN S. HARRIS STAFF DIRECTOR AND CHIEF COUNSEL
 HOWARD A. BOWELL REPUBLICAN STAFF DIRECTOR

March 2, 1994

The Honorable George J. Mitchell
 United States Senate
 Washington, D.C. 20510

Dear Mr. Leader:

We are writing to inform you that we will object to any agreement seeking consent to proceed to the nomination of Ricki R. Tigart President Clinton's nominee to chair the Federal Deposit Insurance Corporation, until the Senate Banking Committee has an opportunity to thoroughly examine the Resolution Trust Corporation's handling of its civil investigation into Madison Guaranty Savings and Loan.

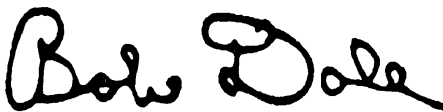
As you know, the Acting Chief Executive Officer of the RTC, Roger Altman, recently disclosed that he sought a meeting with White House officials to give them a "heads-up" on the RTC's investigation. Needless to say, such a meeting is highly improper and raises very real questions about Mr. Altman's impartiality and the alleged independence of the investigation. Specifically, why were Harold Ickes and Margaret Williams present, in addition to White House Counsel Bernard Nussbaum? According to the Washington Post, Mr. Ickes the Deputy Chief of Staff, is responsible for Whitewater "damage control". Ms. Williams, Chief of Staff for Mrs. Clinton, had previously participated with Mr. Nussbaum in searching Vincent Foster's office and sending all or some of the materials to David Kendall of Williams and Connolly who is representing the President and Mrs. Clinton.

We believe public hearings are required to explore these and other questions involving the attendance of political operatives at the White House in briefings by the head of a supposedly independent agency on matters that have nothing to do with the Executive Office of the President.

We regret having to delay the Senate's consideration of Ms. Tigart's nomination. Nevertheless, the American people deserve to have confidence that the RTC conducts its important business in an independent and impartial fashion. A Congressional hearing is an appropriate forum in which to examine the important ethical and regulatory issues raised by the Altman-White House meeting.

Sincerely,

X000895




NEWS

U.S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE
Thursday, March 3, 1994

Contact: Clarkson Hino
(202) 224-5358

WHITEWATER-MADISON UPDATE

Dangerous Pattern Emerging in Administration's Handling of Madison-Whitewater Affair: Don't Mix Politics & Law Enforcement

According to Webster's Dictionary, the word "independent" means, and I quote: "Not subject to control by others... Not looking to others for one's opinions or for guidance in conduct."

I cite this definition because the last time I checked, the Resolution Trust Corporation is supposed to be an independent agency... Webster's the word "independent." But, in light of recent press accounts, it appears that I may have to do some more research, or Webster's may have to revise its definition.

Last week, we learned that Roger Altman, the acting C.E.O. of the RTC and the No. 2 political appointee at the Treasury Department, met with White House political officials, allegedly to give them a "head's up" on the RTC's civil investigation into Madison Guaranty. Realizing his blunder, Mr. Altman subsequently--and very belatedly--recused himself from the Madison matter.

More Questionable Meetings

Today, we read that top officials at the Treasury Department, after the supposedly independent RTC asked the Justice Department last year to investigate possible criminal activity involving Madison, met twice with members of the White House Whitewater Brain-Trust--Bernard Nussbaum, Bruce Lindsey, and Mark Gearan. According to news accounts, the Treasury officials gave the White House staffers a report on the "status" of the RTC's investigations and informed them that President and Mrs. Clinton were "named" in the RTC referral, though not accused of any wrongdoing.

Needless to say, the average American citizen who was either named in an RTC criminal referral or the subject of an RTC civil investigation would never have received such high-level cooperation from the very people charged with conducting the investigations.

Dangerous Pattern

A dangerous pattern seems to be emerging.

During last year's Travelgate fiasco, overly-eager White House staffers raised eyebrows by pressuring a top FBI official to attend a White House "political strategy" session, allegedly to coordinate a press response to the burgeoning number of media inquiries. Unfortunately, the supposedly independent FBI went along with this charade, changing an FBI press release to suit White House political needs.

Extended Page 1.

saying there was nothing wrong with the Treasury-White House meetings: we are told that they were simply sessions to "coordinate responses" to press inquiries about the RTC's investigations into Madison. X000896

Questions of Judgment & Cover-Up

Now, that brings me to another word--"judgment."

In light of the recent news reports, it's becoming increasingly clear that good judgment is in short supply among White House and top Administration officials. No doubt about it, you're asking for big, big trouble, and showing some stunningly bad judgment, when you start mixing politics with law enforcement. It's only fair to excuse a misstep or two--we all make mistakes. But when bad judgment becomes the rule, rather than the exception--and when those involved don't admit their own mistakes--then it may be time for a little White House house-cleaning.

(more)

X700897

And finally, a third word comes to mind--"cover-up." If the White House has nothing to hide about Whitewater, then why all the meetings? Why all the behind-the-scenes machinations? Why "negotiate" a subpoena to shield Whitewater documents from public scrutiny? And why put yourself in the dangerous position of being charged with compromising what are supposed to be "independent" civil and criminal investigations? Cover-up is a tough word, but the consequences of a cover-up can be even tougher.

Congress Has Responsibility - Can't Be Willing Accomplices

I don't know what to make of the recently-disclosed White House-RTC-Treasury shenanigans, but I do know that Congress has an obligation to ensure that supposedly independent law enforcement agencies are just that--independent. For Congress to punt on its oversight responsibilities is a disservice to the American people...and exposes Congress to the charge that we are willing accomplices to whatever Whitewater wrongdoing may have occurred.

FDIC Nomination on Hold Until Thorough Hearing of RTC & Madison

That's why Senator D'Amato, myself, and 41 other Senate Republicans yesterday wrote to the distinguished Majority Leader informing him that we will object to proceeding to the nomination of Ricki Tigert, President Clinton's nominee to chair the supposedly independent FDIC, unless the Senate Banking Committee has an opportunity to thoroughly examine the RTC's handling of its civil investigation into Madison. Today's shocking revelations only serve to underscore the need for such an examination...And, more broadly, for hearings on the entire Madison/Whitewater affair.

Remarks delivered on Senate floor, approximately 12:30 PM ET.

X000898

DEPARTMENT OF THE TREASURY

TREASURY



NEWS

1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE

MARCH 3, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

I have confidence in the Treasury officials, but to ensure that all ethical guidelines were followed, I have instructed the matter be referred to the Office of Government Ethics for a thorough review. I did not attend any of these meetings, nor was I informed of any of these meetings.

I have instructed Treasury officials to have no contact with the White House about this case.

###

XG000899

Attn:
Cnad
7 pages

U. S. SENATOR

Al D'Amato**News
Release**

NEW YORK

Contacts: Washington • Frank Coleman • 202/224-6498 New York • Zenia Mucha • 212/736-3805

FOR IMMEDIATE RELEASE:
Tuesday, March 1, 1994CONTACT: Frank Coleman
(202) 224-6498**D'AMATO BLASTS WHITE HOUSE STATEMENTS ON SECRET RTC BRIEFINGS
"PATTERN OF DECEPTION" CONTINUES IN MADISON/WHITEWATER AFFAIR**

WASHINGTON -- U.S. Senator Alfonse D'Amato (R-NY) today called for Senate Banking Committee hearings into secret briefings provided by the head of Resolution Trust Corporation (RTC) for senior white house political staff about the agency's investigation of the Madison/Whitewater affair.

D'Amato also charged that since the disclosure of the secret "heads up" was revealed at last Thursday's Banking Committee hearing, the White House was continuing its pattern of deception by suggesting that the same briefings were provided to Congress and the press.

"The White House has now compounded these shocking revelations by stating falsely that Congress and the media also received these briefings," D'Amato charged. "At the time this secret cabal was meeting at the White House, I was speaking out on the Senate floor about the RTC's failure to provide our Committee with any information about its activities on the Madison/Whitewater mess. And I have yet to encounter a reporter covering this story who says he or she was briefed by the RTC, let alone its acting President."

D'Amato, senior Republican on the committee, added that the exposure of the secret briefings at a Banking Committee hearing proved that Democrats needed to end their "footdragging" over whether or not to hold hearings.

"Only through a Congressional hearing did we learn of this very real threat to the integrity of the RTC's investigation," D'Amato pointed out. "We have a responsibility to the American people to fulfil our legitimate oversight function."

"The Democratic members of this committee must understand the threat is not Congressional inquiry, but secret, high level off-the-record 'heads-up' meetings between top Administration officials and White House legal and political experts," the Senator stated. The secret briefing, described as a "heads-up" by acting RTC head Roger Altman was presented to White House Counsel

Bernard Nussbaum, Deputy Chief of Staff, ^{Extended Page} Clinton's Chief of Staff Margaret Williams and Treasury General Counsel Joan Hansen.

Among the questions D'Amato said could be answered by a hearing: Why does White House Counsel Mr. Nussbaum need to be briefed on the RTC's investigation of Madison that does not involve the President in his official capacity? And what about Mr. Ickes and Ms. Williams? Why in the world would these political operatives need to be briefed by a top agency official on an investigation that has nothing to do with the Executive Office of the President? Were any confidential or non confidential RTC or law enforcement documents or other materials used during the briefing?

-fc022894-

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X000900

X000901

THE WHITE HOUSE
WASHINGTON

- ④ Inventory of all memos w/ Regulatory side
+ notes + TURN IT OVER TO THIS
— Mack to take lead
— legal staff + anyone who might have had
contacts
— Podesta or Joel Klein

Tuesday - at Harlan Forum.

— list of Rep. - sawy other - get advice
— Curtis

Consider whole legal stuff

possibility of releasing it by letter to the press

→ 2 meetings - Bernie office

→ 3rd -

Cleared to see MM on 2nd Janine
MW on 2nd Eveira Lichman } No Times

1005

X000902

①

At this new office was Mack

② Podeta.

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
MARCH 3, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

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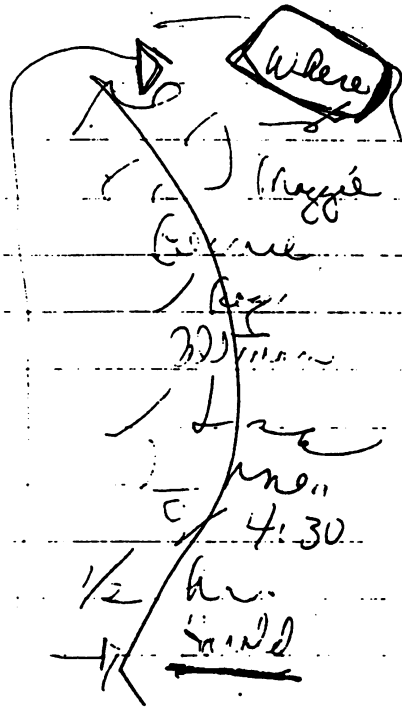
I have instructed Treasury officials to have no contact with the White House about this case.

###

MACK - PER JOEL -
"THIS WILL COVER
US SO WE DON'T
HAVE TO DO
ANYTHING FURTHER."
P.

REDACTED

X000904



X000905

Spectr - ^u as given the facts sent by that
 investigator, there is a strong inference that
 these notes have been copied or
 investigated by a field investigator
 in violation of field law."

?
 prep
 des

X000906

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 202 225-4347

DATE: March 1, 1994
TO: Mr. Bernard Fusabaum
FROM: Congressman James A. Leach

Number of Pages to Follow: 4

Enclosures and the original letter are being sent via mail.

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March 1, 1994

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 DEBRAH ANDERSON, VERMONT

CLUB 222-1247

Dear Messrs. and Madam:

On February 3, 1994, I wrote to the Interim CEO of the Resolution Trust Corporation (RTC), Mr. Roger Altman, asking that he seek appropriate counsel as to whether he should recuse himself from matters regarding Madison Guaranty Savings and Loan. As I noted in my February 3 letter to Mr. Altman: "...it would appear ethically questionable for a political appointee of the Department of Treasury to make decisions for an independent federal agency when the President may be implicated in enforcement and civil actions."

On February 23 I received a lengthy response to my letter which ended with the following sentence: "I trust this letter fully addresses your concerns" [see attached letters]. Regrettably, the letter did not fully address the concerns expressed in my letter of February 3. Moreover, it would appear that the concerns raised in my letter were confirmed when Mr. Altman testified last week before the Senate Banking Committee that he had entered discussions with

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the White House on matters affecting the President's potential personal liabilities.

While it is dubiously credible to think Mr. Altman would have gone to the White House to discuss only the statute of limitations, in that a mere memo would have sufficed, it bears noting again the irony that it was Mr. Altman who on May 4, 1993, strongly recommended by letter to the Chairman of the House Banking Committee that the statute of limitations for civil lawsuits against S&L wrongdoers not be extended.

Mr. Altman's meeting with White House staff concerning the RTC's actions in the Madison case is an ethical umbrage. Even though Mr. Altman has now decided it proper to recuse himself from the Madison case, the issue at hand is whether his conduct violated federal ethics guidelines or strictures, as promulgated by the RTC. These guidelines are listed under 12 CFR § 1605.7 and include the following:

"No employee shall engage in any action, which might result in, or create the appearance of ...

- (b) giving preferential treatment to any person;...
- (d) losing complete independence or impartiality;
- (e) making an RTC decision outside official channels;
or,
- (f) adversely affecting the public's confidence in the integrity of the RTC."

Also, 12 CFR § 1605.10 states that an RTC "employee may not, directly, or indirectly, use or allow the use of information which is obtained as a result of his or her RTC employment but which is not available to the general public in order to engage in any financial transaction or to further a private interest."

In addition, another issue appears to be an abuse of the spirit of 5 U.S.C 3348. In a technical sense, this statute allows the President to name a temporary agency head to fill a vacancy until a nominee is confirmed by the Senate. In the event a nominee is rejected by the Senate or his/her name is withdrawn, 5 U.S.C. 3348 provides that the vacancy may be filled for not more than 120-days by an individual designated by the President.

In the case of Mr. Altman's appointment as interim CEO of the RTC, we have a situation where a political appointee of the Treasury Department has served as the head of an independent agency for approximately 13 months. To some, this circumstance leaves the

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March 1, 1994

impression that Mr. Altman's term of office might have been intended to coincide with the running of the statute of limitations for civil lawsuits which could affect the White House.

Now that the statute of limitations has been extended, a skeptic might wonder if further legal machinations will occur as a means of maintaining Mr. Altman's tenure as interim CEO of the RTC. After all, no nominee to head the RTC has been formally presented to the Senate since Mr. Tate withdrew his name from consideration on November 30, when he complained of gross mismanagement at the RTC.

It is my judgement that the RTC has had its independence compromised and that it is no longer sufficient for Mr. Altman to recuse himself from the Madison case. It is all too apparent that his shadow looms large at the agency and that his immediate resignation from all responsibilities at the RTC would appear to be the only ethical option at this time.

In addition, just as one party should not have requested the meeting, the other party should not have accepted it. In this regard, I hereby request a review of whether White House officials, Bernard Nussbaum, Margaret Williams, and Harold Ickes, violated any ethical guidelines. Here I would call your attention to the following White House guidelines:

3 CFR § 100.735-4 General standards of conduct.

"(c) In all circumstances employees shall conduct themselves so as to exemplify the highest standards of integrity. An employee shall avoid any action, whether or not specifically prohibited by this subpart, which might result in, or create the appearance of:

- (1) Using public office for private gain;
- (2) Giving preferential treatment to any person;
- (3) Impeding Government efficiency or economy;
- (4) Losing complete independence or impartiality;
- (5) Making a Government decision outside official channels; or
- (6) Affecting adversely the confidence of the public in the integrity of the Government."

3 CFR § 100.735-8 Conflicts of interest.

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March 1, 1994

"(a) A conflict of interest may exist whenever an employee has a substantial or private interest in a matter which involves his duties and responsibilities as an employee. The maintenance of public confidence in Government clearly demands that an employee take no action which would constitute the use of his official position to advance his personal or private interest. It is equally important that each employee avoid becoming involved in situations which present the possibility, or even the appearance, that his official position might be used to his private advantage."

3 CFR § 100.735-21 General conduct prejudicial to the Government.

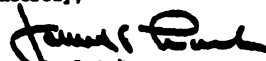
"An employee shall not engage in criminal, infamous, dishonest, immoral, or notoriously disgraceful conduct, or other conduct prejudicial to the Government."

With regard to the second of the above citations, it would appear self-apparent that "personal or private interest" would apply to issues of individual job security or promotion. In addition, with regard to the third, the adjective "dishonest" would presumably apply to the issuance of statements of fact that prove untrue. Here, I bring to your attention, Mr. Nussbaum's February 10, 1994 letter to Reps. Lightfoot, Wolf, and Istook. I would also ask that the possibility be probed that the meeting might have had the effect of being "prejudicial" to the government's case in attempts to recover taxpayer losses related to the failure of Madison Guaranty.

I would specifically request that the Office of Government Ethics and the Chief Ethics Officer of the White House, which I understand to be Mr. Nussbaum or his designee, formally review and provide me with a response as to whether the meeting between the three White House officials and Mr. Altman violated any guidelines of government ethics, regulations, or law. In particular, there is an implicit appearance that public officials dealt with the private matters of the President. In this regard, I would hereby request a list of any individuals who participated or attended at any point in the discussions and from each any notes or recordings of the meeting or meetings at the White House or elsewhere on this matter.

Please provide a full response to the issues raised in this letter regarding the White House as well as Mr. Altman by Monday, March 21, 1994. Thank you for your time and consideration of this matter.

Sincerely,


James A. Leach
Ranking Member

cc: Mr. Roger Altman
Interim CEO
Resolution Trust Corporation

X000911

October 7, 1993

MEMORANDUM FOR BRUCE LINDSEY

FROM: CLIFF SLOAN

With regard to the subject that Neil Eggleston and I spoke to you about one night last week, we have some additional information that we'd like to give you in a brief update. Let us know any convenient time for you today or tomorrow. It shouldn't take more than a few minutes.

X000912

THE WHITE HOUSE
WASHINGTON

March 1, 1994

MEMORANDUM FOR FILE

FROM: JOHN D. PODESTA
ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY

W. NEIL EGGLESTON
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: WHITEWATER--TRANSCRIPT OF SENATE BANKING COMMITTEE
HEARING

Attached please find the transcript of the testimony portion of the hearing before the Senate Banking Committee last Thursday, February 24, 1994.

The opening statements will not be available until the Committee releases the transcript.

W.N.E.

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FEBRUARY 24, 1994, THURSDAY

SECTION: IN THE NEWS

LENGTH: 26366 words

HEADLINE: HEARING OF THE SENATE BANKING COMMITTEE

SUBJECT:

RTC THRIFT DEPOSITOR PROTECTION OVERSIGHT BOARD SEMIANNUAL
REPORT CHAIRED BY: SENATOR DONALD RIEGLE (D-MI)

WITNESSES:

LLOYD BENTSEN, SECRETARY OF THE TREASURY

ROGER ALTMAN, INTERIM CEO, RESOLUTION TRUST CORPORATION

ACCOMPANIED BY:

ALAN GREENSPAN, CHAIRMAN, FEDERAL RESERVE BOARD

ANDREW HOVE, ACTING CHAIRMAN, FEDERAL INSURANCE DEPOSIT

CORPORATION JONATHAN FIECHTER, ACTING DIRECTOR, OFFICE OF THRIFT

SUPERVISION DIETRA FORD, EXECUTIVE DIRECTOR, THRIFT DEPOSITOR

PROTECTION BOARD 538 DIRKSEN SENATE OFFICE BUILDING

WASHINGTON, DC

BODY:

SEC. BENTSEN: Mr. Chairman, members of the committee, I have the Oversight Board members with me here -- Mr. Alan Greenspan, chairman of board of the Federal Reserve; Roger Altman, who's the interim CEO of the RTC. I've got Jonathan Fiechter, who's the acting director of the Office of Thrift Supervision; Andrew Hove, who's the acting chairman of the Federal Deposit Insurance Corporation. Also accompanying us is Dietra Ford, who's the executive director of the Oversight Board.

And I have a longer version for the record, but I'd like to summarize it, particularly with the lateness of the hour, if I might.

SEN. RIEGLE: We'll make your full report a part of the record, and we'd like your summary.

SEN. BENTSEN: Before I begin, and listening to the partisan exchange, let me thank the members of this committee for their bipartisan support last year, in the last session, to obtain the funding to finish the RTC job. I'm quite appreciative of that.

Let me tell you something you don't hear very often. We're not here to ask for more money. The funding -- (applause, laughter) -- the funding provided through the RTC Completion Act ought to be sufficient. In fact, they tell me this is the first time that the Oversight Board has been before you that it wasn't asking for additional money and funding. And I'm just very pleased to be able to inherit that honor.

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I'm also happy to report that few S&Ls are failing, and 99 percent of private-sector thrifts are well or adequately capitalized. OVERSIGHT Let me review some of the numbers for you. Since the RTC was created in 1989, it's taken over 743 failed institutions and it's closed or sold 680 of them. In the process it protected nearly 23 million deposit accounts with an average balance of \$9,000. RTC made good on the government's guarantee of deposit insurance to millions of Americans nationwide. And, I might add, it did it with a minimum of disruption. A lot of the customers didn't even know that the RTC had taken over their S&L. The RTC also undertook the greatest liquidation in history, so far disposing of \$393 billion in assets for about 90 percent of their book value. Frankly, I couldn't believe that one. I made them go back and check it again for me. The RTC sold since its inception nearly 80,000 units as affordable housing. So at least tens of thousands of lower-income families have benefitted as this problem is being solved.

Now, crime is at the top of our agenda these days. We talk about violent crimes. Well, this scandal had criminals -- had white collar criminals. More than 1,500 persons were charged with major crimes involving S&Ls. Nearly 1,250 were convicted. And of those sentenced, more than 75 percent went to prison. And RTC has pursued several recoveries from wrong-doers with all involved agencies collecting nearly \$2 billion.

Mr. Chairman, when this administration took office the total cost of resolving the S&L problem was estimated at between \$100 and \$150 billion. When I testified just last March, we thought as much as 45 billion in additional funding would be needed. That was on top of the nearly 87 billion already appropriated.

A lot of people agreed with us. The Congressional Budget Office estimated 50 billion. The General Accounting Office had us around that level. And so did the House and the Senate budget committees. As RTC funding legislation moved through the Congress last year, constantly improving economic conditions resulted in record earnings for the S&L and the banking industries. By mid-November after lengthy deliberations in both houses, the funding bill provided \$18.3 billion, and that brought the total amount that's provided by Congress for the clean-up to \$105 billion, a figure on the low end of the estimate when this administration took office.

And I know the results could have been different -- easily. Depositors could have lost all their savings. Loss to the government could have been far greater, resolution of the problem could have taken much longer. But to the credit of a great many people, and they're seated in this committee, in addition, the problem is near resolution.'

I'd like to give you some -- and I'd like to give some credit to the management of the RTC. And I think we'd sure better credit the economy. Deficit reduction has helped interest rates to fall. We've taken steps to increase the availability of credit, tackling unnecessary regulations and report requirements that discourage lenders from making loans to small business. And we'll continue to propose changes that will result in greater credit availability and efficiencies in the banking industry. This is why we want to sell a number of issues, including passage of the community development financial institutions legislation, which includes a balanced reduction and regulatory reform. I'll be before this committee next week with specifics on the

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administration's proposal to reform and simplify the regulatory structure for depository institutions. Our proposal not only will eliminate unnecessary regulatory expenses which could result in the availability of greater credit, but as importantly, it can help avoid new crisis by putting a stop to inconsistent and confused regulation. But we'll talk more about that next week. But the point I want to make on deficit reduction is that the market responded, the economy responded. Housing starts and home sales are up, and that's sure good news when you're the RTC and you're trying to dispose of property. I can't help think back what a dramatic difference interest rates make. I used to chair a savings and loan. Sure glad I sold it when I came to the Senate. (Laughing.) But I'll tell you, not smart, just lucky! But I'll tell you -- (laughter). But I'll tell you, when you've got your mortgages at one rate and all the sudden long-term interest rates go substantially above that, you've got yourself a real problem in an S&L. And when you've got the government saying we'll guarantee the first 100,000, and you've got a small, new S&L, and then they have Wall Street bundle up hundreds of billions and send it to a little S&L. We saw that thing happen in Vernon, Texas. A good example of that. And then you see the others who are honestly trying to compete and what a hold it puts on them. Fortunately, we're seeing things go the other way with this substantial reduction in interest rates.

And I want to say to you, Senator Bennett, I've seen some of what you're talking about, too, where sometimes they were overzealous. And that balance is in part the concerns of what Senator Boxer has for those that have been ill-used and guilty of malfeasance. But lower interest rates and increased credit activity have brought about increased earnings for all types of financial institutions. Many S&Ls that may have been at risk are now making profits. But you and I know we can't predict what's going to happen between now and '95 when the RTC goes out of business. Nobody foresaw the floods and the earthquakes, and they had their economic consequences. We're not done yet.

Through '95, RTC must continue to protect depositors. They must dispose of some very hard-to-sell assets. And it must ensure its operations run effectively. It must work toward an orderly transition of its responsibilities to the FDIC. And it must never lose sight of its mandates to provide affordable housing and maximum minority participation, including implementation of provisions of the RTC Completion Act.

I've urged the RTC to work aggressively on the issue of minority participation. It's imperative that minority- and women-owned businesses have an ample opportunity to win contracts, to purchase assets and to acquire failed thrifts. In fact, the RTC is taking special care to meet the requirements of the completion act to provide preferences to minority institutions while applying the least-cost test.

Let me be more specific on some of those things I mentioned. The RTC has begun resolve 63 insolvent institutions now operating in conservatorship, which about 2.3 million deposit accounts. Some additional institutions may be transferred this year. If so, the RTC will make good on the government's guarantee to those insured depositors and any others who might yet fall under its jurisdiction.

Insofar as the remaining inventory of nearly 64 billion assets -- \$64 billion in assets, these, as

you said earlier, Mr. Chairman, are the most hard-to-sell properties that are left: real property and non-performing mortgages. While the improved economy helps sales, the potential loss to the taxpayers could be reduced if these assets are managed and sold efficiently. The RTC is working on improving its marketing and sales strategies and is seeking creative, yet sound techniques to maximize returns.

To fulfill its remaining mission, the RTC will benefit from good managers. Jack Ryan of OTS was appointed deputy CEO. Ellen Kukla (sp) of the OTS has been appointed general counsel. And Tom Horton has been promoted to acting senior vice president for asset management and sales. And I can tell you today that the administration expects to submit its nomination for a permanent chief executive shortly.

I thank Roger Altman for the service that he has done as the interim CEO. His term expires the end of March, and we hope by then to have a candidate. In line with the RTC Completion Act, Jack Ryan will serve as the interim CEO between the time Mr. Altman's term expires and the permanent CEO is confirmed. The Oversight Board will also make some appointments to the audit committee, which will be in operation soon.

I've asked Frank Raines (sp), vice chairman of Fannie Mae, to chair that one, and to serve as members we asked Jonathan Fiktar (sp) of OTS, Robert Larsen (sp), vice chairman of the Taubman (ph) Company and a former member of the Oversight Board. Mr. Larsen (sp) has also been renominated to serve on the Oversight Board, and I hope you'll be able to approve his nomination soon. The RTC will close down on December 31, 1995, one year earlier than originally thought, and planning for that is well underway. I expect the new management to work with the people at the FDIC in a cooperative way to carry out the transition of the RTC to the FDIC.

This past year the Oversight Board has also strengthened our staff reviews. I was being reminded of my testimony of last year and the recommendations and the improvements that we sought to bring about. We have done a number of them. We haven't completed them all. We're obviously still working at it, and we're scrutinizing some.

For instance, our staff has been monitoring the RTC's efforts to improve its contracting systems and its oversight. A review is being conducted to make sure policies are applied uniformly to all contractors and that contract oversight procedures provide effective review of performance. Another example: The staff has focused on the RTC's financial operating plan, its operating budget and all its borrowing activity, and our advisory boards are taking hard looks at the policies governing asset sales. Late last year, Ira Hall of IBM USA was named chairperson of the National Advisory Board, bringing considerable financial expertise and private sector expertise to that process.

These boards meet regularly at sites nationwide to discuss progress and to hear testimony from witnesses on how these regulations and procedures affect different parts of the country. The RTC listens to their advice, and they have been instrumental in advancing affordable housing opportunities. Our advisory board structure will change this year.

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The Completion Act created a new affordable housing authority board to replace the National Housing Advisory Board. That new board will be made up of nine members, including the secretary of HUD. They will be providing advice on affordable housing programs, and how to merge RTC programs with the FDIC programs after the shutdown, and we're looking forward to working with them. Now, last year at this hearing, as I said, I announced those ten goals insofar as improving or reforming RTC management -- things like putting in place a system to ensure prompt follow-up on findings of the inspector general and the General Accounting Office, strengthening the contracting system and oversight of its private sector contractors, appointing a chief financial officer. The RTC Completion Act mandated and expanded on those reform, and RTC is moving to meet the standards that Congress determined and set.

I'm pleased with the results, and in a minute, I'd like Roger Altman to discuss them with you one by one. I hope you especially note what we've done on opportunities for minority- and women-owned businesses and in strengthening our internal accounting and administrative control systems. I personally believe that these programs are an important part of RTC duties and that this is an area it must continue to focus on to ensure legislative mandates are carried out. And Mr. Chairman, let me end on this. I believe that the RTC has made significant progress in the past year in achieving its mandates and in addressing the concerns that you folks in the Congress raised, concerns by the GAO and by the oversight board. You bet there've been a lot of problems, but the organization has been relatively free from partisan conflict. Republicans and Democrats alike have been committed to fulfilling the government's obligations to protect depositors at the least cost to the taxpayers. In '94 we'll keep working at that one, and looking to '95, well, I believe the RTC will be more than happy to be out of business. I sure will be happy. Thank you. Now let me turn it over to Mr. Altman.

SEN. RIEGLE: Mr. Altman, we'd like to hear from you now.

MR. ALTMAN: Thank you, Mr. Chairman. I, too, have a longer statement which, with your permission --

SEN. RIEGLE: Without objection.

MR. ALTMAN: -- that I hope would be entered into the Record, and I'll summarize it here. This is probably the final time I will appear before the Congress in any RTC capacity. Under the terms of the Vacancy Act, my appointment would expire on March 30. There are limited circumstances under which that could be extended, but I don't believe they will apply. As Secretary Bentsen said, it's our intention to nominate a permanent chief executive as soon as possible.

Last year we chose I think a fine candidate, Stanley Tate (sp). He withdrew, which was not at our urging, and I believe he would have done a good job. I also want to join with Secretary Bentsen in thanking the entire committee for its bipartisan efforts to secure funding through the completion act passed late last year.

I'd also like to note that the RTC has taken special efforts to be responsive relative to the

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California earthquake. Foreclosures in those effective areas have been delayed, home owners are being helped to avoid delinquencies on mortgages held by the RTC, and we notified FEMA of 54 multifamily units and 47 single family residences that can be made available for temporary housing. Now, on to the status report.

Mr. Chairman, the S&L collapse required the biggest financial rescue probably in world history. Including money spent by the FSLIC beginning in 1988 it's expected to cost the American taxpayers the staggering sum of about \$150 billion. To put that into perspective, at today's budget levels that's equivalent to about 45 years of Head Start, about nine years of Aid to Families with Dependent Children. And at a time when we all struggle to finance federal support of vital activities from national security to education, these are sobering comparisons. I'm sure all of use would agree on a bipartisan basis to make every effort to ensure that such a fiasco is never repeated. When we inherited responsibility for this agency, it was not in sound condition. It was one of the largest contracting organizations of all time. But it had poor contracting procedures. It was selling assets in massive blocs, denying local investors a shot at local properties which they knew best. And despite being larger than almost any American financial institution in the private sector, any bank or any securities firm, it had no full-time chief financial officer, no permanent general counsel, and it had no business plan. So we determined to concentrate on repairing the organization and when Secretary Bentsen first testified before this committee, almost exactly a year ago, he outlined a series of management reforms to which we committed ourselves, and I'd like to very quickly just review some of those. A full-fledged review of all 21 of them is appended to my statement.

Contracting. We found that the agency's contract award procedures had often been violated in the past, and our first action there was to mandate compliance. Some of the compliance problems reflected weak organizing principles. Contracts were often let by the same employees responsible for overseeing them. Obviously, in the event of a compliance problem, the employee then had little incentive to draw attention to it. So the Office of Contracts has been reorganized into two separate units; one for contract solicitation and award, and another for contract administration, to avoid conflict, and the scope of contracting oversight has been substantially expanded. Among other things, the staff there has been more than doubled, and reviews of nearly 500 outstanding contracts were undertaken last year.

Next, audits. A new reporting system has been implemented to ensure that management responds to the concerns raised by auditors. And that system now tracks and updates the status of all inspector general, GAO and internal RTC findings and recommendations. And I'm pleased to say that the RTC today is current in following up on almost all GAO and OIG findings. Business plan. We completed a comprehensive business plan. We provided copies of that to this committee. It is a highly detailed and, I think, objectively speaking, good piece of work. It's intended to be a living document and we're going to update it regularly as conditions warrant.

Chief financial officer. Donna Cunningham, our chief financial officer, has been on board for about eight months. She's taken that helm very ably, as reflected in a series of improvements in the internal controls in the organization.

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The professional liability section. This has been a particularly troubled area of RTC operations. There have been complaints from both sides of the spectrum, as the comments already here today illustrate; complaints that the RTC was unfairly pursuing former S&L directors who had no real roles in those organizations and, on the other side, complaints that the RTC was not sufficiently zealous in pursuing the real crooks.

As GAO recognized in its mid-'93 report, the primary problems have involved inadequate staffing and an overall lack of experienced attorneys and the temporary nature of the RTC has made it particularly difficult from a recruiting point of view. But we have worked hard to increase the size and the training of the staff in this area. We currently have the highest total of attorneys on board in the agency's history. Moreover, senior RTC and FDIC officials are planning to merge the RTC unit here, the PLS unit, with its counterpart in the FDIC, recognizing that the FDIC is a source of experienced attorneys in this area.

I also want to say that effective prosecution of PLS claims continues to be one of the RTC's highest priorities.

Secretary Bentsen referred to our having formed an audit committee and appointed its members. We have also established a joint coordinating committee with the FDIC for purposes of planning the transition or portions of the RTC back into the FDIC by the end of '95.

I'd like to make a special set of comments about expanded opportunities for minorities and women. That's been one of our highest priorities, as Secretary Bentsen said. First of all, we elevated the minority and women's program to the divisional level, put the head of it on the executive committee reporting directly to the CEO. We took action to expand the number of minority- and women-owned businesses receiving RTC contract solicitations. And there are now more than 1,100 of them in our database.

Let me say a couple of words about the record. On a cumulative basis since inception of the \$3.7 billion awarded in nonlegal fees, \$800 million have been awarded to minority- and women-owned businesses, 21 percent. Take a look at last year. We paid nonlegal fees of \$500 million. Minority- and women-owned businesses received 31 percent of those. We also encouraged efforts to encourage the use of minority- and women-owned law firms on the legal side, as far as legal fees are concerned. Last year, such firms received \$54 million, or 13 percent, of all legal fees from us, a big increase over the '92 level. And within the category of minority- and women-owned law firms, minority-owned law firms received \$36 million, far above the \$23 million of a year before. I think the entire RTC is quite proud at the sharply increased levels of minority and women's participation in all of the fee-generating activities of the agency, and details on that are also appended to my statement. Turning briefly to operations and financial issues, Secretary Bentsen cited a series of statistics relative to the amounts of institutions which have been resolved since inception. To me the most important statistic is \$9,000. That's the average balance in institutions which have been resolved. And for those who think this has been a bailout of the rich and famous, I think that's a pretty telling number.

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We have 63 institutions under conservatorship today, \$18 billion of deposits. Now that the Completion Act is law, we're in the process of marketing these remaining conservatorships. We think these 63 will be resolved, Mr. Chairman, by the summer of this year, and it should cost \$9 billion to \$11 billion to do that.

On the asset sale side, we exceeded the targets we initially set last year. Book value reductions, \$63 billion; cash proceeds, 76 percent of that. That's a recovery rate below previous years because now we're down to poorer-quality assets, hard-to-sell assets. For this year, '94, we expected to reduce the book value of our inventory by \$43 billion, cash proceeds \$29 billion, projected recovery rate, 66 percent.

Now, on this asset sales side, one of things we did was to put in place a small investor program because, if I've heard anything in this past year in this capacity, it was that local investors were not -- did not have a shot at local properties which they knew best. So we took steps to ensure that assets would be available for sale individually to small investors with moderate levels of capital. Under this program, individual offerings of real estate properties have been emphasized. Underscore "individual." Auctions and sealed-bid sales have become more frequent and geographically focused. Smaller loan pools are being offered to allow buyers to purchase smaller, more geographically segmented groups of loans. And I'm pleased to say that at the most recent non-performing loan auction, in August last year, a third of the winners were new buyers who had not participated before, and the new bidders, overall bidders were for the most part smaller companies with a much higher preference for small loan pools and were most interested in buying geographically-focused loan packages located in their own areas.

Affordable housing -- Secretary Bentsen noted this -- since inception we've sold over 77,000 units, for a total of \$1.2 billion. The average annual income of households purchasing in that program has been about \$24,000, which, by the way, is 61 percent of the national median family income. Finally, Mr. Chairman, the issue of whistle-blowing.

As was noted earlier, last September this committee held oversight hearings where a variety of allegations were made, including retaliation against whistle-blowers.

Now, let me emphasize in the strongest terms, we support protections for whistle-blowers and have taken several actions to address those allegations. I issued a memorandum on October 4th to all RTC employees strongly reiterating our policy of prohibiting retaliation against whistle-blowers. We established an employee ombudsman program to augment the efforts of the inspector general in gathering all types of employee allegations. That ombudsman reports directly to the CEO on a weekly basis, and I think that program is working pretty well, because as of February 15th we'd received 116 inquiries, 96 of which had been closed and 20 of which were still pending.

We also had conversations in person and by telephone with six of the individuals who testified here before this committee. And during these interviews we solicited comments, feedback, and suggestions from them on how best to remedy the problems which they raised. And a number of those interviews were insightful and have been taken into account in our

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efforts to remedy some of the management problems at the RTC. And I just want to underscore how seriously we have taken these allegations and that hundreds of hours have been spent working to understand and resolve them.

In closing, the Completion Act requires the RTC to terminate on December 31st, 1995. We will make that, there is no question that we will make that, and I think it will be a happy day for all concerned, especially the American taxpayer. Thank you.

SEN. RIEGLE: Thank you very much. We're going to now proceed with the questions, and we'll go with the normal five-minute time periods.

Chairman Greenspan, let me start with you. The Federal Reserve, of course, has raised interest rates earlier this month, and you just indicated publicly again that further increases are likely. And we know in the past that rising interest rates have had the effect of causing significant problems for thrifts. Now, obviously, the amount is highly relevant. But my question to you would be what effect are these higher interest rates likely to have on the RTC and, for that matter, on the future health of the thrift industry, which is still trying to work its way back?

MR. GREENSPAN: Mr. Chairman, I think you raise a very important question, because one of the lessons of this whole experience has been that we have -- we've put into place in the early post-war years an institution which was a specialized institution, one which could not function in a period of significant inflationary imbalances, an institution which had long-term assets and short-term liabilities. And, as the secretary indicated, when interest rates generally go up that institution is pressed as, indeed, we saw in an extraordinary sense in the period 1979-1980.

One of the things that is very important that we not allow to happen again is that extraordinary type of inflationary imbalance which was so destructive to those types of institutions. To be sure, savings and loans as a consequence of that have restructured their balance to a significant extent and the maturity mismatch is not of the size that it was previously.

Nonetheless, should interest rates rise significantly, then I think it does put those institutions in a very difficult position. It's been the concern of the Federal Reserve that we endeavor to fend off any such types of inflationary instabilities, and the actions that we took -- we took on February 4th, and the general discussion which I outlined to the House Banking Committee's subcommittee in trying to comprehend the type of problems that may be out there, were put forward precisely to prevent the types of difficulties which so debilitated the savings and loans.

To date, the effects on these institutions, of course, have been minimal, and we don't expect to see any particular problems emerge on that, but I would like to call -- ask my colleague, Jon Fiechter, what he sees, he's looking at these institutions in a much more detailed way than I.

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MR. FIECHTER: I would echo what Chairman Greenspan said. One -- well, first, clearly a major risk in the thrift industry, given the nature of the business, is interest rates, but a real difference between the thrift today versus the thrift of the late '70s that ran into so much difficulty when the -- there was the rate (spike ?) in the early '80s, is that restructuring both of assets and liabilities, there are a lot of thrifts now that won't hold fixed rate mortgages any longer because they went through the early '80s. Also, as a consequence of (rate Q ?), institutions are able to much better manage their liabilities. As you know, Mr. Chairman, as a consequence of FDICIA, OTS has spent a lot of time on interest rate risk. We have a fairly extensive model, and in anticipation of a question such as this, I asked the staff based on the information the thrifts now provide what would be the effect of a 200-basis-point increase in interest rates if it were to happen as a shock -- sort of an across-the-board increase, but I don't think we're talking about that type of change. Only ten institutions would fail their current capital requirements.

None of them would go below 2 percent capital, however. And while it's a very uncertain world we live in, the analysis that we've done has suggested that at least in the numbers that we're talking about today, the thrift industry is in a much better position to handle rate increases going forward.

SEN. RIEGLE: I think that's an important response because I think it shows as well that in re-engineering, through FIRREA and then FDICIA, the arrangements that the general strategy is working. Now, if we get overtaken by, you know, events that were to drive interest rates above 200 basis points then we're into a different zone. But let's hope we're not going to deal with that. Chairman Greenspan, let me ask you one other question. This issue has obviously gotten a lot of attention here this morning. Are you satisfied with the way the Madison Guaranty issue has been handled by the RTC?

MR. GREENSPAN: The oversight board has, as far as I'm concerned, had no relationship with the Madison issue because that is a special case which is handled by the RTC directly. And I must say, I have not followed it in any manner which would enable me to address the question in a useful manner for you. SEN. RIEGLE: Senator D'Amato?

SEN. ALFONSE D'AMATO (R-NY): Thank you, Mr. Chairman.

Mr. Hove, on August 10th, 1989, there was a letter written to Mr. John O'Donnell by a Ken K. Schenck (sp). He's a credit specialist. I don't know whether you've seen this letter in your reviews of this whole matter, but just let me read you the last paragraph.

"In the process of our suit against Frost & Company, we will most certainly examine practices and procedures Madison Guaranty used in the day-to-day operations. We are making this information available in detail to Mr. Hubbell." Now listen to this sentence: "To believe that none of this information will make it back to his family is naive. I do not know whether or not any information upcoming will be damaging, however, I would like someone with a wider scope of authority to review the situation and possibly eliminate this conflict." Here's a credit specialist who's telling you what the real world is about. He was there.

Now, let me go on. In the report released by the FDIC -- eight pages of what I think is the

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most incredible whitewash of Whitewatergate that I've seen. This is incredible -- incredible. And I've spoken to you just briefly before and I told you what I'm going to ask you. Page six, the bottom: "In addition, we have found no evidence that the firm had a close relationship with the S&L which might call into question its independence."

I mean, I have to tell you, given the information that your people were reporting back to Mr. O'Donnell, FDIC S&L project area coordinator, August 10th, 1989, given this incredible -- I'd say the FDIC makes an assertion that the Rose Law Firm did not maintain a close relationship with Madison Guaranty. That's incredulous in light of the fact that they had a monthly retainer with them for 15 months for several years earlier. I mean, how do you come to this conclusion?

Now let me ask you one other thing. Is it true that no documents were reviewed as part of the FDIC's internal review which was conducted by your law department? Is that true?

MR. HOVE: Let me respond to your question in the order that you gave them. You first talked about Mr. Hubbell and his relationship with the suit -- with the Frost accounting firm.

SEN. D'AMATO: Have you seen this memo?

MR. HOVE: I have not seen that memo.

SEN. D'AMATO: Let's have staff give a copy of this memo to Mr. Hove, please.

MR. HOVE: Let me respond to that.

SEN. D'AMATO: Would you like to look at that last paragraph and let me know whether or not your people, in conducting this review have seen this? It goes back to 1989. And the person who sends it says it would be naive to think that Mr. Hubbell would not pass this information on to his family.

MR. HOVE: But let me respond by saying that even if he had the issue between Mr. Ward, who is Mr. Hubbell's father-in-law, and the Madison Guaranty had been already decided, and Mr. Ward had a judgment at that time against Madison. That case was on appeal, and therefore, any information that Mr. Hubbell could obtain, even if he would obtain it, and give it to his father-in-law would not be admissible, would not be in the appeal process, even if he had had the information to give to him.

SEN. D'AMATO: Mr. Hove, did you ask you, did read page six, the bottom of your report? Because we don't have much time. So I'm going to -- it says, "We find no evidence that the firm had a close relationship with the S&L." Do you really believe that to be the case? Do you really believe that a monthly retainer that Hillary Rodham Clinton had did not establish a close relationship? Are you really suggesting that there was none?

MR. HOVE: Her relationship --

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SEN. D'AMATO: Is that credible in light of what you know? MR. HOVE: Her relationship with Madison was on an issue that was in a state agency and not with the federal government. It was not with the FDIC. And our case was not against Madison. Our case was against the Frost Law Firm -- or over the Frost accounting firm. In addition, we find no evidence that the firm had a close relationship with the S&L, which might call into question its independence. I mean, are you serious? I mean, that is a conclusion that was made. Let me tell you, it was made by your legal department. Let's go into something else. As part of last year's RTC Act, we have an inspector general that was created in the FDIC. Was the FDIC inspector general involved in this review?

MR. FIECHTER: No, sir. The review was started at your request, if you recall. I had indicated to you in my confirmation hearing that we were undergoing a review by our legal division as to what was the policy, the conflict policy that may be in effect between the Rose law firm and the FDIC in the lawsuit that Rose was doing for the FDIC against the Frost accounting firm. SEN. D'AMATO: Let me ask you this. Do you plan to ask the inspector general's office to analyze the procedures used by the FDIC legal staff in conducting this internal review and in essence to review this matter?

MR. FIECHTER: I would do that if the committee requested that. SEN. D'AMATO: Well, I'm requesting it, and I would suggest that you didn't need -- you wouldn't need the committee to ask you to do this. I'd suggest to you that it's your job to do it. I'd suggest to you that when you have such obvious areas of conflict in this report, when you're saying that there was no close relationship, when you're suggesting that Webb Hubbell would not and was not in the position to give any information to his father-in-law, that is incredulous. And if you don't have an inspector general looking to something like this, then what do you have him for? And what do you have? You have staff people who are going to make -- who make this kind of determination?

Now, I have to tell you you will be doing yourself and the FDIC, I think, a great, great damage if you just think that you're going to let it rest on this eight pages of sophomoric, legalistic mumble jumble that doesn't hold water. And I've just looked at this report. I've seen some occasion to see it in the newspaper. This is the first time I've had an opportunity to review it personally this morning, and it's shockingly inept. Now, question. Do you intend, not by way of this committee instructing you, to put this matter, and don't you think it's appropriate that it be submitted to the inspector general? Yes or no?

MR. FIECHTER: Senator, we've been reviewing this to review our procedures, to review our procedures with conflicts, with conflicts not only with the Rose law firm but every law firm that we deal with. And our procedure is to deal not only with the actual conflicts but also to deal with the appearance of conflicts. And in this case had we done that, had we dealt with the appearance of conflicts, it is likely that the appearance would have been different -- the conclusion may have been different. But Senator, this has been several years ago. At that time we had many cases coming in to us as a result of the savings and loan failures, and the conflict, under the rules that we were dealing with at that time, did not present any conflict of interest from the Rose law firm suing the Frost accounting firm.

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SEN. D'AMATO: It's what we're doing today. Today you're saying there may be a conflict back then because they didn't have clear rules spelled out. Today you're saying there may be a conflict back then because they didn't have clear rules spelled out. Now let me tell you whether it smells today -- and it smelled then -- I don't want to get into this legalese that maybe -- I want to know if you're going to ask the inspector general to review this matter. That's a question.

MR. HOVE: I will do that if committee requests it.

SEN. D'AMATO: Well, Mr. Chairman, I would at this point in time move that we ask that this matter be reviewed by the inspector general. Now this is not going to interfere with any federal prosecution that's taking place, but it's a question of ascertaining whether or not we're getting the facts. It's a question of whether or not legal counsel has analyzed all the documents. I don't know -- I read in one news account that says that no documents were received as part of the FDIC's internal review. I don't know whether that's true or not, but that's certainly something I intend to pursue.

SEN. RIEGLE: Yeah, let me just respond to your question because the time is up and I want to stay within these time periods or we'll -- we won't be able to move any at all here in an efficient way.

Let me take your request under review. I'm not sure but what a request from a single senator may be sufficient to -- in asking for an inspector general review. I don't know without sort of looking at our past practices and precedents, but let us research that question.

SEN. D'AMATO: Let me thank you for the manner in which you've handled it, but I have to tell you something. I'm wondering why when I asked you a question, yes or no, would you undertake this -- and Mr. Hove, before you answered, the fellow behind you with the glasses who has got a lot of hair I wish I had, you know, came up and told you what to say. Now, can I ask what is your title and what is your responsibility?

MR. : The acting general counsel.

SEN. D'AMATO: You're the acting general counsel. Well, you know, sir, whether or not you're going to ask, it seems to me for this to be reviewed is a matter if you see that the propriety of this report, the integrity, the correctness of it can be substantiated. And it would seem to me that you'd want to do that.

MR. HOVE: Well, let --

SEN. D'AMATO: It would seem to me that without counsel coming to you and saying whether -- you know, you can wriggle out by saying that the committee has to ask. And I appreciate the chairman's response, I really do.

But I just want to make that observation, Mr. Hove. I find your response totally unacceptable.

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MR. HOVE: Mr. Chairman?

SEN. RIEGLE: We'll let -- I want to move ahead to Senator Kerry, who is next, and if you want to make a response, certainly --

MR. HOVE: Yes, I would like to, and first of all, all the documents, everything that we have discovered is available to the special counsel, and we will make that available to the special counsel. I will commit to you that I will ask the inspector general to undertake an investigation.

SEN. D'AMATO: Thank you. Thank you very much. And I think you have done the administration a service, yourself, the FDIC, and I applaud you for that. Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Kerry? -----

SEN. KERRY: Mr. Hove, you were originally appointed to your position by President Bush, weren't you?

MR. : That's correct.

SEN. KERRY: So you're a holdover from the Bush administration then. There's no special affiliation you have with President Clinton, is that correct? MR. : That's correct.

SEN. KERRY: I think it's a fair issue always as to what the level of review is, as to any institution, if it takes place. And I've certainly shared a public expression of concern about what the inspector generals have done or not done. But I would like to see, if it's going to be done, as to Madison, I really want to see it done as to Columbia and as to some of the others. I just think we ought to cover the board here.

Secondly, I want to point out the distinction here which we keep missing. And one of my colleagues earlier said if this were President Reagan who did this and it was Silverado and so forth, we'd be screaming. Those were sitting presidents who made sitting decisions regarding a policy at that moment in time that cost the taxpayers a lot of money. There is no sitting presidential decision here, there is no issue of presidential policy here. There is no issue of taxpayers being cost money by an action taken by the president of the United States at this time. This happened in 1982 and 1986, before they became president. Now, an individual died and there's an investigation into the death of that individual and what may or may not have happened is a fair question with respect to the death. And that's being investigated by the first special prosecutor of an opposing party that I can think of in my public memory in public office that's been appointed. That is the clear distinction here. And it is a very real distinction. No taxpayer money, no public issue of policy, no decision of a sitting president of the United States with respect to what this committee has oversight on and is here for today.

The question is legitimate: what took place, were there relationships previously -- these are

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important as to all these banks. And it is fair for the special prosecutor to proceed on that, and it is even more important that this committee guarantee down the road that we investigate everything. I'm not sitting here saying something may not have taken place. In point of fact, there may be some indication that some folks outside of the White House may have some questions to answer. But there is no evidence whatsoever with respect to policy or taxpayer money or any decision made by the president of the United States that warrants this kind of inquiry.

Now, let me ask you, if I may, Mr. Altman, and Mr. Secretary, perhaps you can share with me, because one of our concerns is not just Madison but a whole lot of other institutions. I think 42 percent of the total losses fall in Texas alone. And there's a serious question about professional liability with respect to those institutions. I'd like to know, to date, what is the total amount of money recovered to date from directors or officers of these institutions nationally?

MR. ALTMAN(?): \$640 million, senator.

SEN. KERRY: Six hundred and forty million?

MR. ALTMAN(?): From institutions -- from institutions.

SEN. KERRY: And that's recovered through liability cases. MR. ALTMAN(?): Those are criminally related recoveries.

SEN. KERRY: What about civil? Is there any at this point? MR. ALTMAN(?): In addition to that figure I gave you, about \$745 million from civil-related recoveries.

SEN. KERRY: So we have in fact recovered to date a billion three, is that correct? It's not insignificant.

Can you break down where that has taken place? It's my understanding 42 percent of the total cost of bailout was Texas. Is there a corresponding recovery rate or any kind of rate you could give us as to where the most money came from?

MR. ALTMAN(?): I don't have information with me, senator, on state-by-state breakouts, and I don't know whether --

SEN. KERRY: Would it be possible just to get that at some point in time? MR. ALTMAN: We'll be happy to do our best to do so.

SEN. KERRY: I think it would be good to have a sense of that. It's my understanding that you were going to take a look at this question of sort of why the recovery rate may or may not have been low. Have you been able to draw any conclusions as to that? I mean, one of the things I heard is that a lot of the attorneys who came on believing that they were going to be able to engage in recovery grew so frustrated at not being able to do so in the early years that they left. I don't know if that's legitimate or if you've found other reasons, but could you

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share with the committee what, if anything, you may have discovered with respect to the recovery process?

MR. ALTMAN: As I said in my opening comments, the entire PLS area has been a troubled one, and there have been complaints from both ends of the spectrum about overzealousness and about inadequate pursuit. And we've had as GAO in its report noted a high degree of turnover and difficulty retaining -- recruiting and retaining experienced attorneys because of the temporary nature of the RTC. After all, here we are with less than two years to go.

SEN. KERRY: Currently that's true. What about in eighty -- what about in the early stage -- late -- late '80s?

MR. ALTMAN: Well, of course, the RTC has always been intended to be a temporary agency, and I'd just refer you to the GAO report which concluded that that was a particular problem. And as I've mentioned, we've made a series of efforts to strengthen that, the most important of which is to hire a very good and very strong general counsel.

When we inherited responsibility for the RTC, despite its being such a large institution -- as I said, larger than almost any private financial institution in the country -- it didn't have a full-time general counsel. And that's a very important step we took. We've also got more PLS attorneys on board today than ever before in the history of the organization. So we're making every effort to try to fulfill all the responsibilities we have in this area. I don't think there's any way to know, senator -- or if there is, I don't know -- whether -- or what percentage of recoveries that have been made compared to the potential that an ideal effort, a perfect effort would have obtained. I don't -- I don't know the answer to that.

SEN. KERRY: Okay. My time is up. Thank you very much, Mr. Chairman.

SEN. RIEGLE: Thank you much, Senator Kerry.
Senator Bond is next.

SEN. CHRISTOPHER S. BOND (R-MO): Thank you very much, Mr. Chairman. Mr. Altman, are there special measures taken when in the resolution of a failed thrift you find it to be affiliated with a high profile individual? Someone in government, for example?

MR. ALTMAN: The procedures, Senator, which the RTC follows are intended to be identical in each case, and they certainly have been identical in the case discussed this morning.

SEN. BOND: After you discovered that the president of the United States's name might be mentioned in a criminal referral being made by your agency, did you take any steps to ensure that documents created in the case were protected and preserved?

MR. ALTMAN: When the possibility of a criminal referral was brought to me, I took one step, and that was to instruct all the relevant RTC personnel to handle any judgments about criminal referral in the same exact fashion that they would be handled in any other PLS matter, no deviation whatsoever. As far as documents are concerned, the same thing.

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SEN. BOND: You instructed them to handle the documents in the same way? MR.

ALTMAN: That's correct.

SEN. BOND: Were there any instructions received by you or to, your knowledge, anyone in your agency from the Department of Justice, the White House or special counsel with respect to the retention of documents?

MR. ALTMAN: To the best of my knowledge, and I believe I know this, there were no requests or conversations with the White House whatsoever on that. With regard to Justice and the special counsel, I'm advised there have been conversations, the essence of which is that each party reminding the other not to take steps or release information which could jeopardize either party's investigation.

SEN. BOND: Given the facts I set out in my opening statement, we are concerned about whether all the documents are there, can you assure the committee that no one has issued any instructions to you or your agency to retrieve, relocate, destroy or tamper with any documents dealing with Madison, its affiliated enterprises, directors, owners or business partners?

MR. ALTMAN: I have no knowledge whatsoever of any such effort. SEN. BOND: Has anyone in your agency, specifically the Department of Records Management, indicated to you there are any missing documents? Or has anybody discovered any files missing or unaccounted for?

MR. ALTMAN: No.

SEN. BOND: You are absolutely sure that --

MR. ALTMAN: No, your question was: Has anybody indicated to me. SEN. BOND: All right.

MR. ALTMAN: The answer is no.

SEN. BOND: Would you inquire of your records management agency whether they have either, A, been given instructions about the handling of documents from somebody outside or if they have found any evidence of missing documents or find that there are documents apparently missing? If you would inquire of that and advise us if you do find that there is such information?

SEN. RIEGLE: I think the stenographer should note that he's nodding in the affirmative.

MR. HOVE: Yes.

SEN. BOND: Finally, will the RTC release copies of the initial September 1992 referral to the Department of Justice and copies of the second referral on October '93?

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MR. HOVE: Senator, we're not in a position to release any documents that could have a negative impact on the investigation. I don't think you would want us to do that. And documents of that type that you're talking about fall into that category.

SEN. BOND: Allegations were made by Susan McDougal that many of the Whitewater files were actually delivered to Mrs. Clinton in 1987. What steps have been taken by your agency to recover those files or to ascertain where those files might exist?

MR. HOVE: I have no knowledge of that matter.

SEN. BOND: Have you heard of the allegation?

MR. HOVE: Actually, no.

SEN. BOND: Mr. Altman, I know there's many aspects to it. I was just reading one of the stories appearing in Commentary which referred to those allegations. We don't know if they are true or not, but I would suggest that someone should make inquiry to ascertain whether there is any truth to the allegations and if so, to take appropriate steps to recover such documents. Finally, where are the documents being kept, and have they been thoroughly catalogued?

MR. ALTMAN (?): Well, I can assure you that all proper procedures relative to safeguarding of documents are being followed. We also have a responsibility in regard to any case to obtain all the necessary materials for purposes of making a litigation decision. So any documents that the legal staff at the RTC believes would pertain -- would help it reach a conclusion on a litigation decision, in this or any other matter, it makes a maximum effort to obtain.

SEN. BOND: But that -- you have no knowledge of the specific question I asked about the records potentially in the possession of Mrs. Clinton? MR. HOVE (?): None whatsoever.

SEN. BOND: Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Boxer?

SEN. BARBARA BOXER (D-CA): Thank you, Mr. Chairman. I want to pick up on where Senator D'Amato left off with Mr. Howe.

Mr. Howe, as a Bush appointee, you were familiar, obviously, with the laws in those days regarding conflicts of interest, and you said that at that time there had to be a direct conflict of interest. And the appearance of a conflict of interest now is considered important, but at that time, that's not the way things were done. Is that correct?

MR. HOVE: That is correct, Senator.

SEN. BOXER: So the law was strengthened, and now you have to look at the appearance of a conflict of interest.

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MR. HOWE: It's not a law, it's a procedure that we have at the FDIC. SEN. BOXER: All right.

MR. HOWE: And at that time, we were looking only at the conflict of interest. Now we look not only at the conflict but also at the appearance of any conflict. SEN. BOXER: Right. Well, Mr. Chairman, I think this is a very important point. And what I would like to suggest is this; my colleague, Senator D'Amato, is very interested in this one particular S&L, which as I understand it, on the list of failures is the 194th largest in the country. I'm also interested in seeing if there were conflicts when lawyers were hired in some of the bigger closures. For example, there were, as I understand it, 14 S&L failures that cost the taxpayers more than one billion [dollars] each. Of these mega failures, six were located in Texas, two in California, two in Arizona, one in New Jersey, one New York, one Florida and one Pennsylvania. And I would like to ask you -- and since I think the chairman said a senator can make a request -- that in these mega failures, these six, I would like you to go back and take a look at the law firms that we used at that time to see if there were conflicts of interest and have a -- and at the same time that you issue this to Senator D'Amato, I would very much appreciate knowing that because I do have a big concern about the scams that were going on at that time.

MR. HOWE: Senator, many of these cases probably were the RTC cases and not the FDIC. The reason that we had this case was that we inherited the FSLIC cases in late 1988 or early 1989. This one came to us at a window of time prior to RTC's being created. So I think that your request might better be directed toward the RTC.

SEN. BOXER: Well then I will make that request to the RTC and ask that we have that report. Would I make that to Mr. Altman or Secretary Bentsen? Mr. Chairman, who do you think would be the appropriate party?

SEN. RIEGLE: Well, they both are hearing it, so --

SEN. BOXER: All right. Well, I will assume that will be done because, as I say, what I find most incredible is that there's this outrage directed at one particular situation, and it's so obvious why. You know, Mr. Chairman, I just want to say this, if I might -- I'll get back. I just have to say this, if I might. We all bring our experiences to the table, to our committees, to our work. And as I sat through this, I had the sense that this reminded me of something, the dynamics here, and it comes back to my being a mother and my experience in raising two kids, and when they wanted something, they made a pretty strong case.

And if they really wanted something, they stamped their feet. And if I gave them what they wanted, I expected them to be happy because I acceded to their request. And if they kept on stamping their feet, I'd tell them, "You're unreasonable." And if they kept it up, I'd take further action. But I think what I see going on here is that there was a demand for the best and most impartial person to look at a situation that obviously had a lot of political overtones, and in an attempt to handle it fairly, that request was granted, and we don't know the end result.

But what I see happening here, Mr. Chairman, is that people are still stamping their feet as if

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nothing's been done. Something very important has been done. A lease has been taken on offices for something like four years. Eight attorneys are looking at this whole situation. Every question that's been asked by my colleagues is being looked at, not by a Democratic prosecutor, as Senator Kerry has pointed out, but by a Republican prosecutor, and someone who I believe has the faith of the American people, if not some of the senators here today, who seem to want to interfere in that investigation.

SEN. RIEGLE: Senator Boxer, I might just say, you may or may not have seen this in this morning's Washington Post, but there have been 25 FBI agents assigned to work with the special counsel, in addition to that legal staff that you cite.

SEN. BOXER: Yes. And, Mr. Chairman, I have to say that gives me great comfort. As much as I respect my colleagues' skill at questioning and badgering, I'd rather have this matter handled by someone who is so well-respected, cannot be accused of partisanship, as my colleagues on the Republican side here could be or I could be or Senator Kerry could be. So let's stop stamping our feet, and let's say this is good, that this investigation is going forward. And I really do have faith that we will find out what the problems were. And we don't know where it all will lead, but I don't think that turning this hearing into a browbeating of witnesses here does any good here at all.

I have some written questions I would like to submit, but I would have to say overall I am pleased with the report that we're getting. It seems to me we're moving along, perhaps, hopefully, under budget, moving forward with women and minorities and the things that many of us care about, and going after these crooks. Thank you.

SEN. RIEGLE: Do you want to say something? Otherwise I'm going here. MR. ALTMAN (?): No, no. I just wanted to note to Senator Boxer that we would respond to that question that you earlier asked.

SEN. BOXER: Thank you. I really look forward to seeing that for those six institutions. Thank you.

SEN. RIEGLE: Thank you.
Senator Bennett.

SEC. BENTSEN: Mr. Chairman, if I might --

SEN. RIEGLE: Uh, excuse me.

SEC. BENTSEN: (Off mike) -- my responsibilities as secretary of the treasury to deal in oversight, and I'm specifically precluded from intervening in individual cases. That's the responsibility of the RTC.

SEN. BOXER: But the RTC will do that. Thank you.

SEN. RIEGLE: Senator Bennett.

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SEN. ROBERT F. BENNETT (R-UT): Thank you, Mr. Chairman. I agree with Senator Boxer: we all bring our personal experiences to this. I will try to stop stamping my feet. (Laughter.) I think that's an appropriate response, but --

SEN. BOXER: You've just been tapping your toe. (Laughter.)

SEN. BENNETT: I've just been tapping my toe. I must, however, out of my own experience share with you the number of times that I as a loyal Republican went to the White House in the Nixon administration and kept saying "You have got to get this out. You have got to find out who is behind this and tell the truth." And I kept getting told "This is a third-rate burglary that nobody cares about." I'm sure on a list of breaking and entering -- (laughs) -- this would have -- the Watergate breaking and entering would have been considered very, very minor. And people kept saying to me, "No, no, it'll all blow over." Well, it was members of your party, Senator Boxer, who kept stamping their feet and kept the thing up. A special prosecutor was appointed who in my recollection was a Democrat. I think Mr. Cox did not have very good Republican credentials when he was appointed to that circumstance.

SEN. KERRY: He was a Republican. One of the good ones from Massachusetts, but he was a Republican. (Laughter.)

SEN. BENNETT: He was a Republican? Well, I knew his law partner. He was a Democrat. We need not beat this further, but I do hope everybody understands that when there is an allegation of wrong-doing the smartest thing any politician can do is get all the facts out on the table. I've tried to do that. When I've been accused of making mistakes, I've discovered that the very best thing you can do politically is not try to cover it up, and that's the only advice I give my friends in this circumstance, having lived through the Watergate thing on the other side of it.

SEN. KERRY (?): Can I just take 30 seconds to say to my colleague that's exactly what we did. Senator Moynihan, national television, Senator Bradley, Senator Bob Kerrey, myself and others said appoint a special prosecutor, and indeed, the White House turned around and did it while the president was in Europe.

SEN. BENNETT: I understand all that, but I also understand that the stamping of the feet that went on prior to that probably had something to do with that decision. I don't think it was entirely sound public policy on the minds of the people on the other side.

Let's get back to the RTC if I can. I do want you to refer carefully to the article that I put in my opening statement. You've talked a great deal about minorities and women, and I yield to no one in my desire to see to it that there is fairness done.

The allegations that were made by the gentleman from Denver, however, is that there is serious reverse discrimination going on in the RTC, and that anyone who does not fall in that category cannot get a job and cannot get a promotion. And if that is true, that is something I think you should pay attention to. So I would ask you to review that.

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Now, make reference to continuing sales, and again, this is a personal circumstance. I've had a number of people come to me in Utah and say here is a marvelous investment opportunity to pick up at fire sale prices properties that can be enormously valuable. I have decided finally to divorce myself from having to make any investment decisions, and I put all of my assets in a managed trust and trust the trustees of that trust to make those kinds of decisions. But I said to them I cannot personally invest in this because I sit on the Banking Committee and it's involved in oversight of the RTC and these are RTC properties.

But I did, prior to creating the managed trust for my assets, go through the process of looking at them, and as a businessman, I can say you really are moving them very rapidly because it struck me that some of the prices were indeed unduly low and that the RTC could in fact have gotten a better price almost as quickly if not just as quickly as they were getting for some of these properties. Do you have a sense on that issue? I'm not accusing you of anything, I simply want you to talk about it.

MR. ALTMAN: Well, first of all, Senator, we have a statutory responsibility to maximize recovery for the taxpayer, so we must pursue sale techniques which respond to that goal. Second, all RTC assets, for practical purposes, are sold at auction, auction of one kind or another. So rather by definition, the market -- the price which the market establishes on that day is the price. It's always possible to look back on any transaction and say you should have done it later or you should have done it earlier, but fundamentally all of our sales are on an auction-style basis. I think the only other point I would make is that we're now in -- we now -- our inventory today is of the harder-to-sell variety as we're getting down toward the end. So our recovery rates, as I mentioned in my statement, are lower. I think last year we recovered at a rate of 76 percent of book value, and this year it'll be in the mid sixties. The character --

SEN. BENNETT: Let me just go back to your earlier statement. I understand what you're saying here, and I don't want to be argumentative about it. One instance, we were told -- or I was told that while it was technically an auction, the RTC had determined the price and that, if I would simply submit a bid for this price, I would be guaranteed to get it, that the RTC would not entertain any other requests. And I turned it down, as I say, for the reasons I've described, although I'll say to my colleagues, the ethics committee told me I need not have done that. I could have made the investment. I decided to avoid the stamping of feet later on in some future campaign in Utah. I would not run the risk. But it was my understanding that the people who did ultimately pick up the property did it for the price that we were told was the price. And we were told, "Yes, this is technically an auction; there will be a sealed bid, but this is the sealed bid we want and if you submit it at that price we can guarantee that you will get it."

MR. ALTMAN: I'd like to make points. The first is -- that's not how it's supposed to work, and if it worked that way -- just taking your comments in their entirety -- it should not have. Second, the RTC does reserve the right to reject bids and to establish in effect reserve prices or floors. So, it isn't the case -- it isn't always the case that whatever the high bid is it's accepted. But, there should never be an auction where any such indication, any such knowledge is provided beforehand; if it was, it was a mistake and shouldn't have happened.

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SEN. BENNETT: I'll just assume that it was a mistake in a particular circumstance, and I'm grateful to you for your response.

SEN. RIEGLE: Well, and perhaps a look could be taken at what may have been going on there, because that's not -- you know, let's not have it happen again. Senator Sarbanes was not given a chance, was not here in the sequence to give an opening statement, and has asked to do so and I'm going to acknowledge that as I do with everyone. And then after he's done that, we'll start his time clock on questions. Senator Sarbanes.

SEN. PAUL SARBANES (D-MD): Mr. Chairman, I'll be brief. I don't want to impose on my colleagues, but I can't forego the opportunity with Chairman Greenspan here before us not to talk about interest rates just briefly, since I think they're so essentially involved with where the economy may be going. And I just want to -- I want to make a statement about that. I've met with the chairman from time to time, both privately and of course in public sessions, and I've raised with him the concern that a hike in short-term rates would raise long-term rates. The chairman's position has been, as I understand it, that when short-term rates go up long-term rates would initially rise but that within a few weeks or so they would settle back down to a level near where they had been when short-term rates were raised. We then contacted the Fed for the analysis that in effect was the underpinning for this statement. We've had difficulty getting that analysis, but it's finally been forthcoming. And as the Fed says, and I quote, the Fed staff, "As you have noted, short- and long-term rates do tend to move together." They then go on to make a rather subtle argument that to the extent that the Fed is ahead of the curve the response of long-term rates is less than when the Fed is moving too little too late, in responding to a build-up of inflationary pressure. So in a sense, they're shifting, as I understand it, the position that was asserted to me by the chairman.

On the morning of February 4th when the Federal Open Market Committee raised the Fed fund rates from 3 to 3-1/4 percent, the 30-year bond rate stood at 6.30 percent -- 6.30. Since that time, long-term rates have risen steadily. As of the close of business yesterday, the 30-year bond rate was 6.65 percent. Thus, since Fed funds were raised, long-term rates have risen by 35 basis points; in other words, more than the 25-basis-point increase in short-term rates. Now last summer at a hearing with Henry Kauffman (sp) and Paul Samuelson (sp), copies of which testimony were sent to the Fed and with a request that it be distributed to members of the Open Market Committee -- Henry Kauffman (sp) argued that raising short-term rates could lead to higher long-term rates; in other words, the contrary of this position that was asserted that if you take up short-term rates, you can bring down long-term rates. And I quote Kauffman (sp). "I also take issue with the assertion that a small increase in the Fed fund rate this summer would be welcome by the financial markets and would accordingly lead to a decline in bond yields. Perhaps. But equally likely is that the bond market would interpret such a rise in the federal funds rate as the first of a number of future increases, and market participants might easily react by pushing bond yields higher. Under that scenario, the rise in the federal funds rate could magnify inflationary expectations, precipitating a sell-off of bonds."

Now just today, Hobart Rowen, one of our nation's most perceptive economic commentators, has an article in the Washington Post headed, "The Fed Meddles," and I just want to quote

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from it briefly. "As it has many times in the past, the Federal Reserve Board is taking the country down the wrong road by raising interest rates. It has violated the dictum, 'If it ain't broke, don't fix it,' and as a consequence, the smooth recovery from recession that has cheered business and consumers over the past year is being threatened." Fed Chairman Alan Greenspan told the Joint Economic Committee in widely analyzed testimony January 31 that the central bank, which had allowed interest rates to fall to record lows, would not change policy to slow economic growth. But four days later, on February 4th, the Fed raised short-term interest rates by one-quarter of a point in a, quote, 'preemptive strike,' unquote, against future inflation. To make sure there was no doubt in the markets that the Fed had decided to interrupt the easy money pattern, Greenspan publicly announced the move. "In new testimony this week, Greenspan failed to justify the Fed's action. He admitted that there was no discernible inflation, that wages are not moving up, that there is virtually no fear the economy is growing fast enough to make overheating a danger."

Now, the whole problem here -- and I -- this is to close this statement, and then I have just a couple of questions to put to Mr. Altman. I won't take anywhere near my question time because I -- is all -- it's all encapsulated in this -- in this cartoon, which shows this truck moving down the road. It says "Economy". And the economy has been moving down the road, and we all want to see that. The driver here has got his hands up to his head in horror. He's slamming on the brakes. As you can see, "Brake. Screech," bringing this truck labeled "The Economy" to a halt. And the reason he's doing it is because out here in the middle of the street is a man labelled "Greenspan". (Laughter.) And he's bending over here. He's out in the middle of the road out in front of the truck, obviously forcing it to come to a screeching halt. He's bending over to pick up these papers here that say "Interest Rates." And he's saying, "Let's see, we'll just pick these up."
Now --

MR. GREENSPAN: You know, senator, I pulled a muscle in my back and I now just realize how I did it. (Laughter.)

SEN. SARBANES: Well, I'm glad we found the explanation for it, Mr. Chairman. SEN.

KERRY: You know, Mr. Chairman, if you say something really interesting now about interest rates you could functionally terminate this hearing and relieve us all. (Laughter.)

SEN. SARBANES: Mr. Chairman, I know that's not the focus of today's hearings, but I think this matter is of such importance. The Fed, of course, is urging the Congress to stay the course on fiscal policy. I happen to agree with that. I think we ought to stay within the constraints of the agreement that was reached last year, and I expect that we will. But by the same token, it's my own view that the Fed should have stayed the course on monetary policy, certainly until we had greater assurances that real growth was taking place in some lasting and permanent way and some evidence that one can look to that indicates that we're beginning to get some kind of inflationary problem. Now, Mr. Altman, I just want to put a couple of questions to you. Earlier you were questioned by one of my colleagues on the other side who went through a list of -- (laughs) -- sort of "Have you stopped beating your wife" type questions, I thought. And so let me try to turn it around and get -- I want to be sure.

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Do I understand that the cases to which they're making such reference were handled in the same way that all other cases were handled -- in other words, according to regular procedures?

MR. ALTMAN: Senator, the instructions that I gave were that all procedures, normal procedures should be followed in this matter without any deviation. SEN. SARBANES: And to your knowledge, that's -- I mean, to the best of your knowledge that's the case. Is that correct?

MR. ALTMAN: Yes.

SEN. SARBANES: Mr. --

MR. ALTMAN: Of course, I'm commenting as to the handling of the case under my responsibility. I'm not making a comment about matters that I have no knowledge of of three or four years ago.

SEN. SARBANES: Oh, I understand that, but as I understood the questions that were put to you, it was with respect to your own responsibilities. I don't how you could be expected to assume the responsibilities of others, so to speak. Mr. Chairman, I just have one comment about the constant reference here to Madison and Whitewater and so forth. And that is that, you know, an independent counsel has now been selected. I read the transcript of his press conference with the Attorney General when it was announced. Actually, as I understand it, or as he said, he defined the scope of the investigation. In fact, he says, "I'm totally satisfied that I will have the independence and complete authority to do this job right." And then the resolution by which his jurisdiction is defined, this is Robert Fiske now I'm talking about; "This resolution has been deliberately drafted broadly. It was drafted by me to give me the total authority to look into all appropriate matters relating to the events that bring us all here today." And he then goes on to specify that.

Now, of course, I think Fiske is regarded highly. In fact, Senator D'Amato called him "a man of unflinching and uncompromising integrity. He's the kind of person who will bring out the truth for the American people so there will be no question as to the thoroughness and objectivity of this investigation." I don't differ with that evaluation, I say to my distinguished colleague from New York, from what I know about Mr. Fiske and what's been told to me about him. So I think that's an accurate evaluation of him. Now, the other point I want to address is, he was asked in that conference, "Do you think that a congressional hearing of any kind at this point might hamper your investigation?" This was a question put to Fiske by a -- at that press conference when he assumed his responsibilities. And this was his response, and I quote him -- this is now Robert Fiske I'm quoting, the independent counsel: "I think the history of these situations is that it is difficult to conduct this kind of investigation at the same time a congressional investigation is going on. The decision whether to have such an investigation obviously is not mine, but I think just looking back at the past, we can all see that that is not an easy relationship." End of quote.

And I just wanted to put that on the record, because I think it's very important to understand

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that, you know, an independent counsel now has been selected. The independent counsel has been given a grant of authority -- actually, according to his own testimony, he defined, in effect, the grant of authority. I haven't quoted it, but the attorney general is very clear here in her statements that he has a full scope to proceed as he deems necessary and to call upon any resources that he thinks are advisable. And it seems to me that, you know, we've put the matter where it ought to be put.

Now, there was some delay in getting to that point. I understand that. But that's the point we are at now, and it seems to me that that is -- ought to be reassuring to the American people that this matter will be looked into thoroughly and comprehensively and that Mr. Fiske and his associates -- and he's now in the process of putting together, I understand, a rather large and first-rate staff -- will get to the bottom of this matter. And I think it's very important that that be put on the record.

I thank the chairman.

SEN. RIEGLE: Thank you, Senator Sarbanes.

I made reference earlier -- I'd just take one moment before calling on Senator Faircloth. I made reference earlier to the actual legal charter of independent Special Counsel Fiske which is published in the Federal Register on Friday, February 4th, and I've read it. And it's really quite a -- I just hold it up here, and we'll put it in the record so that it's there in the context of this discussion. But this is about as broad and as firm a legal mandate as anyone could have. And I notice here that under the Department of Justice the action to accord him that kind of operating latitude was in the form of a final rule. So this locks it in. I mean, this independent counsel, I think highly regarded across this board -- from Senator D'Amato's comments to others that have been made by other people who know him well -- has the authority to go anywhere he thinks it necessary to go. And I again make reference to that article today in The Washington Post, because he's obviously setting up subsidiary investigative efforts, where he's putting together teams to go down each and every issue so that there are no questions left at the end of his work. In any event, I urge my colleagues to take a look at this, because I think it is instructive. Senator Faircloth.

SEN. LAUCH FAIRCLOTH (R-NC): Thank you, Mr. Chairman. And I want to thank you for the manner in which you've conducted the hearing. It hasn't been easy. I had one or two quick one-liners, and then I had some questions. (Laughter.) One of them is in sympathy with Mr. Altman. I bought and sold many a piece of land in my life. I never bought one that somebody didn't tell me I paid way too much for it, and I've never sold one that somebody didn't come immediately and tell me I should have gotten a lot more. But I survived. MR.

ALTMAN: You probably did very well.

SEN. FAIRCLOTH: Chairman Greenspan, I think -- two things. If we get nothing else out of all of this conversation, I believe it will demonstrate to the American people, and maybe to the Congress as a whole, that we need to keep the Federal Reserve, the Comptroller of the Currency, the Office of Thrift Supervision and the FDIC as separate entities, and it's well spent money to have them separate by the taxpayers' money to keep it as it is and not be consolidating it into a political position. I hope that's it. As Senator Sarbanes mentioned on

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your increase in interest rates and inflation, I have observed over the years that inflation is somewhat like Alzheimer's disease; you've had it three or four years before you find out you really have it. And inflation moves before we -- it goes underground a long time. So I think you're absolutely right in increasing rates in anticipation of what might happen. I have found that inflation -- a recession will scare you -- in business, a recession will scare you to death, but inflation will kill you. And I have a question for Mr. Hove.

Mr. Hove, it's my understanding that Webster Hubbell, in his current position as associate attorney general, and in his words, "chief operating officer" at the Justice Department, has formally recused himself from matters regarding Madison Guaranty. Would you agree with me that it would be improper for Mr. Hubbell to seek to involve himself in the FDIC investigation beyond what he was asked by the Legal Division?
And if you will -- since that light is looking at me -- I'd like yes or no answers, if you would.

MR. HOVE: I think the issue of Mr. Hubbell recusing himself is an issue that Mr. Hubbell has to deal with.

SEN. FAIRCLOTH: Fine. Have you had any communication with Webster Hubbell concerning the Legal Division's report?

MR. HOVE: I have not.

SEN. FAIRCLOTH: Are you aware of any communication between Webster Hubbell and an FDIC official in the general counsel's office regarding Mr. Hubbell's role in the Legal Division's then-pending investigation and report? MR. HOVE: Yes, sir. Legal Division has had conversations with Mr. Hubbell. SEN. FAIRCLOTH: Are you aware of any communication between an official in the general counsel's office in Washington and the FDIC official in the Kansas City, Missouri field office regarding Webster Hubbell's role in the then-pending investigation and report?

MR. HOVE: No, I'm not aware of that.

SEN. FAIRCLOTH: Would you be willing to let the general counsel's office release their telephone records for the week of January the 24th through January the 31st?

MR. HOVE: Senator, we're willing to release any non-confidential information that would be generally available to the public. As you might know, many of these things would be privacy concerns and we would be concerned about releasing those without redacting some.

SEN. FAIRCLOTH: So you would not release them?

MR. HOVE: No, sir, we will release them, we will release any non-confidential --

SEN. FAIRCLOTH: All right, that's -- who decides whether it's confidential or not?

MR. HOVE: Well, does it include -- does it deal with privacy of the individual. SEN.

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FAIRCLOTH: Well yes it does, but we need -- yeah, sure it does. That's what we want them for. (Laughter.) Will you?

MR. HOVE: We'll release anything that is publicly available, yes, sir. SEN. FAIRCLOTH: Well, it's not publicly available or we wouldn't be asking for it to be released. If it were in the want ad section, I'd have gone there to get it.

MR. HOVE: Yeah, we have log of everyone that we've contacted, everyone we've talked to on the phone, and we'll release that.

SEN. FAIRCLOTH: All right. Okay, that's what we need.

I see in the Wall Street Journal and the Chicago Tribune, and it's generally out, that you found no conflict of interest between Ms. Clinton and her work in the Dan Lassiter (sp) and First American Savings and Loan, that you find her completely innocent.

MR. HOVE: Senator, let me talk about that issue because that was not an FDIC issue, and that was not an investigation or a review that the FDIC has done. That was an issue that happened before FDIC ever became involved. That was an issue between the old FSLIC -- the old Federal Savings and Loan Insurance Corporation and the failed savings and loan, First American in Illinois. They had filed the suit against Lassiter (sp). They had settled that suit before FDIC ever became involved in that. It was an issue that had happened way before FDIC ever became involved in it.

We have not reviewed that. We have looked at --

SEN. FAIRCLOTH: May I ask one quick question?

MR. HOVE: Yes.

SEN. FAIRCLOTH: Who settled it? Ms. Clinton and Foster? Is that -- it was settled -- you say it was settled. It was settled by Ms. Clinton and Foster. MR. HOVE: I'm not sure that it was settled by Mrs. Clinton. Mrs. Clinton's involvement was to sign an amended complaint for Mr. Foster that amended the complaint from the savings and loan against Lassiter (sp). That was her only involvement in that case.

SEN. FAIRCLOTH: All right, go ahead. I'm sorry, I interrupted you. MR. HOVE: That case was settled over six years ago by the conservator. The conservator for that savings and loan had hired a law firm in Chicago. The law firm in Chicago subcontracted the Rose law firm to work on this case for them as the conservator. The lawsuit was settled before we ever got it, and normally these facts would not trigger an investigation for us, but because of the increasing public interest -- and if you choose, we will conduct an IG investigation to determine that -- but again, the records are scattered all over because it's the old FSLIC records and they were not compiled in any one location. So it's a very difficult issue. It -- there's no single repository of these records. And we'd be willing to assist your staff in locating any of these records that may be available and to make some determination as to what the involvement was.

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SEN. FAIRCLOTH: So this clearing of Ms. Clinton in any involvement with the American Savings and Loan and Dan Lassiter (sp) was done by the FDIC, it was done by the --

MR. HOVE: We have not cleared it. The only contact we've had on the First American Savings and Loan and the Lassiter (sp) case was a press contact that came as a result of an article that appeared first in the Chicago Tribune, and we responded to that saying exactly what I've told you, that this was not an FDIC issue, that it was in fact a FSLIC issue that occurred before FDIC ever became involved in any FSLIC issue.

The issue was settled, the settlement was made before FDIC ever became involved in this issue.

SEN. FAIRCLOTH: All right, so -- but the -- would the statute run on it, could it be opened by the special counsel?

MR. : I haven't any idea. That's a question I guess I'd have to ask my attorney.

SEN. FAIRCLOTH: Ask him.

MR. : (Confers.) I don't know.

MR. : I have no idea either.

MR. : We don't have enough records at this stage to know -- SEN. FAIRCLOTH: Thank you.

SEN. RIEGLE: Although I'll repeat again, and you'll read it from this Federal Registry (sic): "The independent special counsel has two authorities. One authority is for criminal prosecutions. The other authority is to proceed with civil actions."

Now, the civil authority doesn't relieve any other regulatory body of whatever civil action they might appropriately take. But the point is, the special counsel has the specific grant of authority to proceed down both tracks. And it's laid out four different times in this charter of responsibility, and it's a very important point.

SEN. D'AMATO: Will the chairman yield? Just on that point, because to be quite candid with you, until the chairman read the grant of authority, I was given to believe that the special counsel would confine himself to the criminal side. I'm not suggesting to you that the grant may not give him broader powers. I would think it would behoove us, and I'm not attempting to get the exact language determined now, but if we could not, send a letter from this committee and ascertain, indeed, will he undertake the review of various civil matters, such as the one brought up as it relates to this last matter that Senator Faircloth brought up, and there are some others. I think that would at least set the record straight and we might want to put that to him and, again, have our counsel work together to put forth the appropriate question. But I think we should determine, indeed, is that the case.

Secondly, I make a quick point, and I beg the indulgence of my colleagues, by stating, I think that if you notice, at least where I have been attempting to take this, and I think some of my

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colleagues, we're attempting to ascertain what if anything did the RTC, did the FDIC, do in connection with these matters. That is not at variance with the charge of the special counsel. We are not, in attempting to find out what was done and what wasn't done, in any way disturbing his investigation. I think we have an absolute right to know what was done. We have an absolute right to know the appropriateness of the action, so --

SEN. BOXER: Can I have a point of procedure? Whose time are we on? I just was -- I've lost track.

SEN. D'AMATO: Well, I'm going to do it one way or the other.

SEN. BOXER: Well, I don't have any objection to your doing it. I'm just confused. Is this Mr. Faircloth's time that you're on? Or is this added time, so we can all get added time?

SEN. D'AMATO: I asked the chairman if he would indulge me so I could --

SEN. RIEGLE: He asked the indulgence of the chair and I'm going to let him finish his point.

SEN. BOXER: Okay, fine.

SEN. RIEGLE: And then we'll move to the next person here.

SEN. BOXER: I was just checking.

SEN. D'AMATO: So, again, this is not an attempt to do anything other than to see what has been done to date by those various agencies that have the collective and the individual responsibility to deal with these matters. That's one. And secondly, it would seem to me that it might clarify the issue -- certainly I was led to believe, and maybe incorrectly so, that the special counsel was not going to look into civil matters. I think it's important for us to ascertain that.

And so I put that to the chairman that possibly we review that matter. I'm not looking for an answer at this time --

SEN. RIEGLE: Well, I'm going to just -- I'm going to take a minute and just read it into the record because I don't want it to be --

SEN. D'AMATO: No --

SEN. RIEGLE: I know, but it's important, and the words are on paper, and this is the official charter. And I'm going to read from page 5221 of the Federal Registry of February the 4th of this year, and I'm going to just read three or four different lines here that appear in different places, and here's the first one: "The attorney general has appointed this independent counsel to investigate whether any individuals or entities have committed a violation of any federal law or civil law." And then it goes on in that vein. And then over on the next page it says again "... have committed a violation of any federal criminal or civil law relating to ..." And

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then again it says "... any violation of any federal law or civil law." And it says it one more time further on down the line here.

So it's clear -- my interpretation of this is that this does not relieve any regulatory body of any proper actionable efforts that it should properly undertake and determine to undertake, but it says that the special counsel clearly has the authority to move down both tracks if in his judgment he should find that that is warranted. And it's a very important fact.

SEN. DOMENICI: Mr. Chairman --

SEN. RIEGLE: Senator Domenici, let me just say the time -- we're at the point now where either you or Senator Gramm will get to ask questions, and you -- you're both here, and I don't know if either of you have a -- one will follow the other, but will either of you have a time problem as to who goes first?

SEN. DOMENICI: Well, I just wanted to ask you with -- on that question on your charter interpretation there, or reading --

SEN. RIEGLE: It's not an interpretation, it's what -- it's the final rule that was laid down on the --

SEN. DOMENICI: Well, what is -- what is the special prosecutor supposed to do if he finds civil law violations?

SEN. RIEGLE: He has the full legal empowerment to take whatever actions he deems necessary -- and all the investigative and prosecutorial authority to do so. I mean, this is an absolute charter.

SEN. DOMENICI: We'll -- we'll -- thank you very much for that.

SEN. RIEGLE: You can take a look at it.

SEN. DOMENICI: Senator Gramm, I have a little bit of time, although I'm late for some events. But if you want to go, I'll let you go and I'll follow. It -- Will there be another one from the other side that has not inquired yet?

SEN. RIEGLE: No. You are the last two that have a chance to question, so --

SEN. DOMENICI: Well, go ahead. Could you keep it brief, senator? Short?

SEN. RIEGLE: -- and then we'll go back and forth, senator. SEN. : No.

SEN. DOMENICI: No? (Laughter.)

SEN. RIEGLE: Senator Gramm.

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SEN. PHIL GRAMM (R-TX): You want to go ahead?

SEN. DOMENICI: No, you go. You got the time clock right there.

SEN. GRAMM: Let me begin. I've just got a simple question that I want to ask of most of the members of the panel, and let me just read it. Mr. Altman, I want to ask you first. Have you or any member of your staff had any communication with the president, the first lady, or any of their representatives, including their legal counsel or any member of their White House staff, concerning Whitewater or the Madison Savings and Loan?

MR. ALTMAN: I've had one substantive contact with White House staff, and I want to tell you about it.

SEN. GRAMM: Okay, let me, if I may, just -- given that "yes" I'd like to know what the substance of the communication was, when it occurred, who initiated it, and what you were asked to do.

MR. ALTMAN: Right. First of all, I initiated it. About three weeks ago, Jean Hanson, who is Treasury's general counsel, and I requested a meeting with Mr. Nussbaum -- he's the White House counsel.

The purpose of that meeting was to describe the procedural reasons for the then impending February 28th deadline as far as the then statute of limitations was concerned. I'm sure you know that that statute of limitations has subsequently been retroactively reinstated for certain types of civil claims. And we explained the process which the RTC would follow in reaching a decision before that February 8th deadline, that it would be exactly identical to procedures used in any other cases, any other PLS case, and that the RTC fundamentally would come to a conclusion as to whether or not there existed the basis for a claim or whether there didn't. And in the event that the basis for a claim existed, then it would pursue either a tolling agreement, which is the equivalent of a voluntary extension of the statute of limitations from the parties at interest, or it would file that claim in court. That was the whole conversation. I was asked one question. That was question was whether we intended to provide the same briefing to attorneys for the parties at interest. I said I assumed so, went back -- (inaudible) -- and checked with the RTC general counsel. The answer was in due course. I said fine. That was it. I have not had any contact with the president of the United States or the first lady on any matter like this.

SEN. GRAMM: If I may, let me pose the same question to Mr. Hove. Have you or any member of your staff had any communication --

SEN. RIEGLE: Mr. Hove, let me just -- I don't know if you know. This question's being addressed to you.

SEN. GRAMM: Have you or any member of your staff had any communication with the president, with the first lady, with their representatives, including legal counsel, with members of their White House staff concerning Whitewater or Madison Savings and Loan?

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MR. HOVE: Our director of the Office of Communications at the FDIC had received a call from a press person at the White House after the second article appeared The Chicago Tribune regarding the First American issue. They asked, did we have any statement? And the response given to the White House was, no, we did not have any statement.

SEN. GRAMM: So they were asking you to respond to the press statement? MR. HOVE: It was Mrs. Clinton's attorney.

SEN. GRAMM: Mrs. Clinton's attorney --

MR. HOVE: I'm sorry. It was Mrs. Clinton's attorney --

SEN. GRAMM: -- called you?

MR. HOVE: It was Mrs. Clinton's attorney that called the FDIC Office of Communication.

SEN. GRAMM: So Mrs. Clinton's attorney called the FDIC and asked you to respond to a press --

MR. HOVE: No, no, that's not what he said.

SEN. GRAMM: Well, I'm asking the question.

MR. HOVE: Yeah. No, but that -- but --

SEN. GRAMM: I'm not trying to speak for you.
What did Mrs. Clinton's attorney ask you to do?

MR. HOVE: They asked did we have any statement, and we responded, no, we did not have a statement.

SEN. GRAMM: Would it be normal that someone's -- did this attorney work for the federal government?

MR. HOVE: No. This was Mrs. Clinton's attorney.

SEN. GRAMM: When did this call occur; do you know?

MR. HOVE: After the second article appeared in the Chicago Tribune, and I can't tell you the date of that. It's been in the last, what, two weeks or so? I don't know.

SEN. GRAMM: And you were asked if you had a response that you were going to put out on it; you said no.

MR. HOVE: That's correct. We responded to the first statement, the first article that appeared in the Chicago Tribune, pointed out the errors of that article, that it was not an FDIC matter,

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exactly the same thing that I responded to Senator Faircloth.

SEN. GRAMM: And to the best of your knowledge, you've had no other communication, you and your staff have had no other communication with all the people that --

MR. HOVE: That's correct.

SEN. GRAMM: Let me pose the same question to Mr. Fiechter and to Ms. Ford.

MR. FIECHTER: To the best of my knowledge, I know I have and OTS staff has had no communication whatsoever with anyone from the White House about this or that list that you included in your question.

MS. FORD: No, the Oversight Board nor I have had any involvement in this matter.

SEN. GRAMM: Let me raise a second question, and it's a thing that I've tried to understand in looking at where we are and what we need to do to get on with finishing this matter. Part of the problem that we have had in the past with regard to congressional hearings and congressional involvement really has involved two things. One has been the granting of immunity by congressional panels for people who would testify. The other is that under the Constitution, the testimony of a member of Congress is a privileged matter that is given special treatment. In this case I'm not aware that anyone in holding a congressional hearing or looking into this matter would be talking about -- I don't know of a committee that would be empowered to grant immunity. No such resolution has passed the Congress. We're not talking about a member of Congress, where there's special constitutional provisions. I'd like to just pose the question: What would be wrong with letting members of this committee that have oversight responsibility look at the records in this case or any other case where we have oversight responsibilities? Mr. Hove, let me pose that to you and Mr. Altman, and then I see my time is up and I'll stop.

MR. HOVE: Our position is that we will make access available, and we have, to Congressman Leach, to all information that is, again, non-confidential documents.

SEN. GRAMM: How would you define what is confidential?

MR. HOVE: Again, those that would -- (pause) -- those that would involve privacy information that would be non-germane to this issue.

SEN. GRAMM: And you would make that judgment?

MR. HOVE: Yes.

SEN. GRAMM: Mr. Altman?

MR. ALTMAN: First of all, Senator, we have already provided volumes of documents to the Congress. Senator D'Amato referred at the very beginning to documents he received last

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evening, and I would have liked him to receive them earlier, but we only got the request last Friday.

But in terms of Congressman Leach, who has also received those documents, he has had them for some time -- if my memory serves, 6,500 pages -- the RTC has been asked not to make information about criminal referrals in the Madison matter public, and it's standard practice not to release information of that kind or any other which might compromise a criminal investigation. And of course, we're cooperating with the independent counsel to try to assure that we don't release any information which would jeopardize his investigation. And as I said earlier, I would think you would not want us to do that in order that that investigation should proceed as it should.

SEN. GRAMM: Mr. Chairman, if I could have your indulgence, I've got here a text of a newspaper article in Phoenix that contradicts something that Mr. Hove said, and I'm sure he doesn't want to let it stand. I've got a response, apparently after the second article, where the agency -- the FDIC did in fact make a statement. It says the agency said Mrs. Clinton's involvement in the case was not extensive enough to constitute a conflict of interest under rules governing federal regulation of savings and loans. I've got this if you would like to see it.

MR. HOVE: Was that after the second -- we made a comment -- we made a public comment after the first article appeared --

SEN. GRAMM: This is 2/16/94.

MR. HOVE: Okay, and I don't know when those articles appeared. SEN. RIEGLE: Why don't you take a look at it, and let's go to Senator Domenici and then --

SEN. GRAMM: (Aside) -- When did the other one occur, what's the date on the other one?

MR. HOVE: Senator, we commented after the first article appeared to correct any inaccuracies that was in the report. The involvement that Mrs. Clinton had in that case was, again, as I mentioned to Senator Faircloth, that she signed an amended complaint for her partner, Vince Foster, who was the attorney who was involved in the case. That involved two hours that was billed on Mrs. Clinton's part on that case in which she signed the amended complaint. As far as we can determine from the records we have, that was the involvement that she had had, and that's what we released at the time.

SEN. GRAMM: Well, if you would take a look at this and just let us know in writing if this was the second one, how the response was made, who made it, why they made it, it'd be fine. Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Domenici.

SEN. PETE V. DOMENICI (R-NM): Mr. Altman, Stanley Tate (sp) was nominated by President Clinton to head the RTC, and while preparing for that confirmation he was at the

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RTC in a consulting capacity. That's all true, isn't it?

MR. ALTMAN: Yes, sir.

SEN. DOMENICI: When he withdrew his nomination, he attempted to release to the public materials he had prepared containing the RTC operations. Are you and the board familiar with the document that I refer to?

MR. ALTMAN: Generally, sir, yes.

SEN. DOMENICI: Why did the oversight board prevent Mr. Tate (sp) from releasing that document?

MR. ALTMAN: Well, first of all, it was released.

SEN. DOMENICI: Well, you released it -- when he left it was not released and you claimed it should not be released. But then eventually you provided the document to Senator D'Amato, I believe, or my office, but that was December 23rd, 1993. Why was it not released when he wanted to release it?

MR. ALTMAN: Well, senator, my recollection is that it was released rather promptly. Maybe not the day after he submitted it, but as a federal employee -- consultant, the materials properly would be -- were reviewed by his superiors before being released. But I think the point is they were released in short order.

SEN. DOMENICI: Well, did the RTC or the oversight board alter, edit, or sanitize this document before releasing it? And let me say if not, why did Dietra Ford, oversight board executive director, send a memo -- and I have that -- dated November 30th to you about these materials which included the following sentence: "I'm forwarding the enclosed so that you can see the original materials and fully understand the disaster we narrowly avoided." Those last -- that last sentence is a quote. What was the disaster that Mrs. Ford was referring to? Was this a reference to Madison? If it wasn't, fine. If it was, I think maybe we ought to know about it.

MR. ALTMAN: Senator, you should ask Mrs. Ford that question.

SEN. KERRY (?): You may not like the answer, but --

SEN. DOMENICI: Well, I just got this letter, and it deserves an answer. If it's not what I want, that's fine. That's what we're here for.

MS. FORD: We received the 200-page document the morning of his press conference, and we had only a quick time to take a look at it at the Oversight Board. The deputy general counsel of the Oversight Board and I advised --

SEN. : Pull the microphone up.

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MS. FORD: We advised Mr. Tate that the material should be reviewed by the Oversight Board staff, myself, as well as the interim CEO, Mr. Altman, before they are released to the public and that he was a federal -- special federal government employment and, therefore, he was subject to the rules that apply in terms of ethics, the Office of Government Ethics, that applied to the release of documents which he obtained during his tenure as a federal government employee.

SEN. DOMENICI: Well, what's what your letter says.

MS. FORD: That's right.

SEN. DOMENICI: But what was the "disaster that we narrowly avoided"?

MS. FORD: It was my interpretation that, to release those documents before anyone in the Oversight Board staff, the attorneys involved, or -- who advise us, have a chance to look at them, was inappropriate. And that's my choice of words -- "disaster." I think it's inappropriate to release documents before we know what they contain.

SEN. DOMENICI: I thank you.

Let me quickly move to a couple of other ones if I might. Mr. Altman, I think you told Senator Bond that you would not make available any documents that, quote, "would have a negative impact on the legislation," closed quote.

MR. ALTMAN: No, I don't think so.

SEN. DOMENICI: No?

MR. ALTMAN: I said -- I think I said that we would try not to release any documents that would have a prejudicial effect on the investigation.

SEN. DOMENICI: Well, this committee held hearings on the failure of the Bank of New England in the context of an unsuccessful confirmation hearing on Bob Clarke. This committee explored in detail transactions related to that bank. Voluminous documents were made available. Maybe this is distinguishable, but it seems to me that the same question could be asked here. Why can't you release all of these documents for this kind of hearing?

MR. ALTMAN: Senator, we have had -- or I am advised we have had a couple of conversations with Mr. Fiske, the independent counsel. He has asked us not to release any documents that could jeopardize his investigation. I don't know why you would want us to do that, to jeopardize his investigation. We certainly don't want to.

SEN. DOMENICI: I don't want you to.

MR. ALTMAN: And we're respecting his request.

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SEN. DOMENICI: But if the special prosecutor has no objection to the committee being provided copies of documents, can the committee then count on the RTC's full cooperation in providing them.

MR. ALTMAN: You should direct that question to Mr. Fiske.

SEN. DOMENICI: No? If he has no objection, then can we count on you to release them?

MR. ALTMAN: I think the answer is yes.

SEN. DOMENICI: Does the RTC have an inspector general?

MR. ALTMAN: Yes, sir.

SEN. DOMENICI: Has the inspector general investigated the conflict-of-interest allegations regarding the Rose firm?

MR. ALTMAN: I don't know the answer to that. I'm nearly certain it's no because, as you know, it wasn't the RTC that ever had any retainer relationship or other relationship with the Rose firm.

SEN. DOMENICI: But you're kind of the natural successor to what went on there, and I believe -- I think when you took over you began some investigation of that. We'll show you that in a minute. But my question is, if the FDIC agreed to have its IG look into Madison, would there be any reason why you wouldn't?

MR. ALTMAN: I have no objection to the IG's looking into any matter that he sees fit to look into or that he's requested on an official basis to look into. That's what he's there for.

SEN. RIEGLE: Senator Domenici, I don't want to be arbitrary, but I do want to try to stay on the time clock if I can as we go back and forth, and we'll continue until everybody's had a chance to cover everything they want to cover today.

SEN. DOMENICI: Thank you very much, Mr. Chairman.

SEN. RIEGLE: Chairman Greenspan, I want to come back to the interest rate situation because we had an opportunity to talk the day that the Fed took its first step, after that was taken, and I'm concerned about the question of what has happened since and just your own expectations of what might happen, what has happened. You've made further public comments in a hearing recently. I'm just wondering, as you watch market reactions to the tightening move that the Fed made, are you seeing essentially what you expected or have you seen something that -- particularly in terms of the uptick on the long rates -- something that maybe you would not have expected? In other words, where are we now, and how do you read what seems to be taking place as a reaction to the Fed's policy adjustment?

MR. GREENSPAN: Mr. Chairman, as Senator Sarbanes indicated, my expectation was on the

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basis of what has historically tended to be the case, that the type of increase that we've had would initially lead to some small increase in long-term rates followed by some edging off. That's basically been the history, other things equal, and that's essentially what one endeavors to use so far as a forecast is concerned.

What occurred in the interim was, as I indicated to the subcommittee of the House the other day, is that there was a growing concern that after the torrid pace of economic growth in the fourth quarter, which is apparently in the process of being revised up, that the possibility that we would not be moving to a much more moderate rate of growth was rising, and the first evidence that that was affecting market perceptions was when the Philadelphia Federal Reserve Bank released its monthly survey, which showed a significant increase in prices paid by manufacturers for the month -- I suspect it's early February. The point at which that release was made, the long-term rates were very slightly above where they had been previous to the February 4th move. But what occurred following that was a general belief that the pace of economic activity may turn out to be somewhat stronger than most of the people in the market had anticipated.

And to repeat what I said at the House Banking Subcommittee, that change in view in the market's perception led to a significant backing up of long-term rates, which is what typically happens when those types of expectations change. As I said then, my impression of how one should interpret that Philadelphia report is more an indication of a pick-up in economic activity because commodity prices tend to be reasonably good proxies for new orders and indeed I think that's what essentially that particular report was showing. It is not a particularly good forecaster of inflation. And as I said at the House committee, we seem to be lacking the financial tinder that usually is associated with inflation accelerating when you get a significant pick-up in economic activity.

I'm agnostic at this stage. I think it's too soon to make a judgment, but we will learn a good deal more as the data begin to come forward.

SEN. RIEGLE: Well, but as I listened carefully to what you were saying, it seems to me when you say you don't see the inflationary tinder and that you're sort of an agnostic, I mean, I gather you're saying you don't see, yet, a broad evidence of a build-up of inflationary pressure that really worries you. I mean, I -- or is that not a -- I mean, put it in your words, but I'm just --

MR. GREENSPAN: No, that is substantially correct. Look, the reason that we moved on February the 4th, and the reason I said we may have to move again, rests on the issue of having deliberately put through a significant degree of accommodation in the money markets after 1989 because we perceived that there were special balance-sheet factors and other headwinds which required that we move the short-term interest rates below where they normally would reside. And when it became apparent that the adjustments that we thought would occur and in fact have been occurring in the balance sheets got to a point where the economy could start to regain its momentum and gain a degree of expansion which seemed to be well entrenched, at that point the need to have excessive accommodative policies no longer exists. The issue is not, do we see inflationary pressures emerging, BUT what is the reason

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why we would want to keep the level of accommodation at a point where history tells us, if extended indefinitely, eventually does engender inflationary pressures. So, it's the issue -- I would reverse the question, not do we see inflationary pressures, but what reason would we have, once the recovery seems well entrenched, as indeed I believe it is, would we wish to keep an excessively accommodative stance? That is not a statement which says we are setting inflationary pressures emerging; indeed, as I said in my prepared remarks to the House committee, when we actually see inflationary forces emerging in the way of price changes which are clearly evident, the one thing we're sure at that point is we are very far advanced in the process, and history tells us that that type of policy which we engaged in much too often, is wholly inappropriate to maintaining long-term economic stability.

SEN. RIEGLE: Well, let me just say to you I find that a very important clarification and point that you've just made. And I think it puts this in a somewhat different light than some of the commentary, I think, has given to it because what I hear you saying is that you've -- you've had a monetary policy that has been overly accommodative in order to try to get sort of the engine going again and that you overcorrected in a sense --

MR. GREENSPAN: Deliberately.

SEN. RIEGLE: -- deliberately. And now that it has gotten the traction that it needs to have, as far as you can tell, you're taking back some of that overcorrection but not for reasons of the fact that you see this inflationary tinder building up here.

MR. GREENSPAN: Precisely. And, in fact, I've tried to make that point every time I've stated this, and I somehow don't seem to get it across as well as I think I would like to.

SEN. RIEGLE: Well, I think you got it across pretty well right now, and we've got a pretty good sized press table that I hope will have gotten it down even though it's 20 to two, which is sort of a late hour for us to all be meeting here -- (laughter). But I thank you for that. I think that's a very important distinction, and I think it's important for the economic system and the markets to understand what you've just said.
Senator D'Amato.

SEN. D'AMATO: Thank you, Mr. Chairman. Mr. Chairman, I have to say to Mr. Altman that I would like to go back to a question that Senator Gramm brought up and -- as it relates to any meetings with White House staff or counsel. Mr. Altman, I think you said that you and a -- an official from Treasury sought out Mr. Nussbaum. Is that -- is that correct?

MR. ALTMAN: Yes, I did.

SEN. D'AMATO: Could you tell us why? In other words, I have difficulty understanding why it is you felt compelled to seek out the White House counsel.

MR. ALTMAN: Solely to ensure --

SEN. D'AMATO: Solely to -- ?

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MR. ALTMAN: Solely to be sure that he understood the legal and procedural framework within which the RTC was working. And if you recall, as I said at that time, it was a February 28th date which was the subject of major attention in the Congress and in the press. It's not uncommon of meetings of that type to take place. And I'd describe it as a "heads up" and a very stiff conversation.

SEN. D'AMATO: A "heads up". In what connection would that heads up be? You mean that the statute of limitations was running?

MR. ALTMAN: No, that they should be aware of the internal processes and the types of criteria which the RTC was going to be following in order to reach a decision by February 28th.

SEN. D'AMATO: Was any representatives of the president or Mrs. Clinton or any legal counsel -- which I think would be appropriate -- speaking to the counsel for the RTC, or people handling this particular -- this particular matter? I mean, was there any legal representation going on? Was this -- you just called them? Did they have any representatives, any counsel who may have been meeting with staff people or talking to staff people?

MR. ALTMAN: I was accompanied by our general counsel, Treasury general counsel. Mr. Nussbaum had his assistant with him. And Mr. Ickes and Margaret Williams were both at the -- there at the time.

SEN. D'AMATO: Oh, Ickes is in it, huh?

Let me ask you this: Prior to this meeting, was there any representation -- was there any counsel that was being given representing the president's interest or Mrs. Clinton's interest or anyone else that you're aware of as it relates to the matter that you went to brief them on?

MR. ALTMAN: No, not to my knowledge. Nor were there any substantive conversations -- subsequent conversations.

SEN. D'AMATO: Did anyone request this meeting?

MR. ALTMAN: I requested the meeting.

SEN. D'AMATO: Was there any other meeting that may have been requested?

MR. ALTMAN: No.

SEN. D'AMATO: There was no other meeting that you are aware of that the White House counsel requested?

MR. ALTMAN: No.

SEN. D'AMATO: Or anyone else from the White House?

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MR. ALTMAN: No.

SEN. D'AMATO: Mr. Ickes?

MR. ALTMAN: I had no subsequent -- I received no subsequent requests for meetings.

SEN. D'AMATO: Well, what about private counsel? Did private counsel -- I find it hard to believe that there was no private counsel. Are you saying to me that there was not even private counsel that was meeting with staff lawyers at some level?

MR. ALTMAN: Not to my knowledge, Senator.

SEN. D'AMATO: Ms. Ford, do you know of any?

MS. FORD: No, I've had no involvement.

SEN. D'AMATO: Let me turn to the RTC report which was dated February 8th, which we received last evening about 9:00 -- Resolution Trust Corporation -- and say to you that, in reviewing this document, I think it goes a little further -- does a little better job than the one that came out of FDIC. I found it interesting that in its conclusion on page five and six, in its summary before it reaches its disposition, it says, A, Rose represented Madison prior to its failure; B -- and I am not reading the whole sentence -- Rose represented the FDIC/RTC subsequent to the failure of Madison; C, Rose did not disclose its representation of Madison before the Arkansas Securities Department to the FDIC or the RTC. Further, it did not report possible conflicts involving the brother-in-law and father-in-law of Webb Hubbell. And, by the way, I'm going to, Mr. Hove, read something to you that's quite illuminating. You better have your lawyers take a look at this. And when it gets all done doing that, it says, based on the factual conclusions in the RTC conflicts report -- it says we send it to counsel.

Now, I have to tell you that I am going to ask -- because you have no conclusion. It just says, "These are the facts; these are the facts, fellows. Now, you do with it what you want" and sends it to counsel -- general counsel. I'm going to ask that this report and any other relevant material that was gathered by those who were working on it be submitted to the inspector general. And as you've indicated before, you certainly wouldn't say, "I don't see any -- how that would impede anybody or anything." But I certainly would feel more comfortable that it goes to the inspector general as opposed to the general counsel. And I think it would guarantee the integrity of the review, certainly in this senator's mind and I think in others.

MR. ALTMAN: Fine.

SEN. D'AMATO: I thank you very much. I see that my time has expired. I have another observation to make, and I'll do that after -- at the appropriate time.

SEN. RIEGLE: Senator Kerry?

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SEN. KERRY: Well, let me ask my colleague, is that going to be the last -- I mean, or is there intention of colleagues to go a whole other round?

SEN. D'AMATO: I think some colleagues have some other questions, and they'll raise them whenever --

SEN. RIEGLE: I think maybe we're going to have one more go- around here with those that are left who want to do so. And then I think we're probably done here.

SEN. KERRY: It was my understanding that we were going to have another hearing here in 10 minutes, which I'm also supposed to participate in. I'm just curious what the plans of the chairman are. If my time could not -- I'm just --

SEN. RIEGLE: They have a different room that they're meeting in --

SEN. KERRY: All right. So that's --

SEN. RIEGLE: -- so that we won't run into a room conflict. But we are late in the day, and the witnesses have been here a long time. So my intention would be to finish up a round here where everybody gets another turn at bat.

SEN. KERRY: Well, maybe I could ask another -- just procedurally. I don't want to really use my time at this point. But it seems to me that maybe we could ask if anybody has any more questions to ask of the chairman of the Federal Reserve, because it seems not a great use of his time to sit here if all we're going to do is talk about another subject.

SEN. DOMENICI: I -- is my turn imminent here? Or do I have a long wait?

SEN. RIEGLE: Let me get my batting order here.

SEN. DOMENICI: Because I don't want to keep him a long time, but I wanted to --

SEN. RIEGLE: Actually, you follow Senator Bond, who will come after Senator Kerry. Then we'll come back to Senator Boxer. So actually there are --

SEN. : How long is your question? Maybe they would let you get that --

SEN. DOMENICI: I don't want -- I don't have a question of Mr. Greenspan. I just want to state for the record that, frankly, I believe the actions you took over the last three or four years have a great deal to do with the status of the American economy. I frankly believe you were subject to some undue criticism, but if we have a solid recovery, I think it's very significantly related to the conduct of the Federal Reserve over the last 3-1/2, four years.

Maybe President Bush would have liked it differently, maybe Dick Darman would have, maybe it all could have happened earlier, but nonetheless, I think you're somewhat responsible, so I trust you at least on what you're doing now.

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SEN. RIEGLE: That reminds me a little bit of watching some of that Olympic skating competition last night when they throw the bouquets out on the ice. You just threw a nice one to the chairman. Senator Kerry?

SEN. : You were critical of him. You wanted to loosen up even more.

SEN. RIEGLE: Well, the other day I think my comments were comments that reflected some understanding as to what the chairman's trying to do, and I think he's put additional light on that today. I don't think this chairman wants to strangle the economy. I'm speaking of Chairman Greenspan, and, you know, sometimes you can do that and not intend to. But I think he's trying to be as prudent as he can be. Senator Kerry?

MR. GREENSPAN: Excuse me. Mr. Chairman, is that -- (inaudible)?

SEN. RIEGLE: Are you excused? Can you take your bouquet and go? (Laughter.) Yes, you can. Senator Kerry?

SEN. BOXER: You get a 5.9 from me.

SEN. RIEGLE: Senator Boxer gave you a 5.9. (Laughter.)

SEN. BOXER: You skate so well (on the ice?).

SEN. RIEGLE: Especially on the technical portion of the -- (laughter) -- of the program.

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RESUMPTION OF COVERAGE

x x x program.

SEN. : (Off mike.)

SEN. RIEGLE: Senator Kerry?

SEN. JOHN KERRY (D-MA): Mr. Chairman, I'm not sure I have time to stay through the whole process here, so I may review the bidding here a little bit. But just speaking as a former prosecutor, one of my colleagues over here was sort of questioning the duality. I can tell you, as a person who has presented evidence to grand juries and who has spent some time putting cases together, that there is nothing worse than having dual tracks, witness confusion, various statements appearing in public, multiple copies of documents moving around. I would be very surprised if Special Prosecutor Fiske decided to do it. It certainly wouldn't be a judgment that I made to make things public in the middle of an investigation because it inevitably taints somebody's something and it creates a very hard process for pursuing a track. What astonishes me here a little bit -- and I want to reiterate it -- I mean, we've got \$150 billion problem here which taxpayers are paying for. They're already angry enough about us wasting their time and duplicitous process. And here we are, frankly, with very important people in front of us having spent a morning not really examining where that \$150 billion went, not talking about it, but dealing instead with politics. And that's what this really comes down to, it's politics. It's totally unnecessary. In the context of the gentlemen who has been made a special prosecutor, a Republican appointed by a Democrat -- and let me just share with colleagues again quickly something about Mr. Fiske. This is an article from the New York Times right after he was appointed: "Robert Fiske's reputation for integrity and thoroughness is so entrenched that if he finds no wrongdoing during his investigation of the Whitewater affair, his findings could put rumors about Bill and Hillary Clinton's business dealings to rest. The choice is one that you simply can't argue with," said former Treasury Secretary Nicholas Brady, a close friend of former President George Bush and a college classmate of Mr. Fiske's more than 40 years ago. "He's one of those guys who has always conducted himself with integrity." The article goes on to say that: "Mr. Fiske, a 63-year-old Wall Street lawyer, earned his reputation by being an aggressive prosecutor. If the Clintons have something to hide, he could pose a formidable problem. If he lives up to his billing, at the very least his investigation will disrupt the lives of the first family."

Now, if that's not enough, if we don't have the patience to allow him to do his job and sit here and ask relevant questions about \$150 billion, we ought to ask what we're doing. I mean, this is why the taxpayers get so fed up because all we do is dig into politics. And there's a huge distinction between this case and prior cases because we are not looking at a current situation where the president is currently making decisions about current money being spent or current policy. This is something that happened when he was governor -- if whatever happened happened -- and I suggest that this prosecutor has the ability to get at it. If he doesn't, I'll join with Senator D'Amato, I'll be one of the first people -- I think I have a good reputation here on the basis of BCCI and Noriega and other investigative efforts in pursuing things. But I think back to the time that I was trying to do that. I didn't have any help from the other side of the aisle. We did not get subpoena power. We did not have the

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ability to have a full-fledged investigation in this committee on that. And I sat here with Tim Wirth and we tried again and again to get an extension of the liability. We also tried to get a special prosecutor. Most of my colleagues making a lot of noise about this now opposed having a special prosecutor. So I just think fair is fair at some point in this business. We all understand the game and we all understand what happens. But it seems to me that to take a 150 billion dollar fiasco and relegate it to a second tier for this 194 state-run -- who was the primary regulator of this institution originally? MR. : The -- originally it was the Federal Savings and Loan Insurance Corporation, and then later OTS.

SEN. KERRY: So it came to the federal government secondarily. And, I might add, for two years this case was closed. It wasn't until six weeks before the election -- and we ought to ask some questions about this -- that suddenly, when Bill Clinton was the nominee for president of the United States, that there was a criminal referral to the RTC, not until six weeks before the election. For two years while my friends controlled the elements of regulation, nobody was asking the questions that are being asked here today. So I'm not saying questions shouldn't be asked. I am saying we absolutely ought to get to the bottom of whatever took place. We ought to understand all these institutions because it's a sorry chapter in American politics. But that's going to happen, the 25 FBI agents and depositions and documents being made available, and the taxpayers of this country do not need us jumping all over each other for political purposes, avoiding the real issues that they would like us to dig into. And I don't think much more needs to be said beyond that.

SEN. RIEGLE: Senator Bond?

MR. : Mr. Chairman, may I make a correction?

SEN. RIEGLE: Yes.

SEN. KERRY: I think Senator Kerry asked who was the primary regulator. The primary regulator was the state of Arkansas.

SEN. KERRY: Well, that was what I was getting at. The primary regulator was the state.

MR. : Exactly. And the primary federal regulator was FSLC and OTS.

SEN. KERRY: Correct. So the issue of federal nexus here in terms of decisionmaking is only by transfer, not by original jurisdiction. So what we're doing is secondary to the third tier.

SEN. RIEGLE: Senator Bond?

SEN. BOND: Mr. Chairman, for the benefit of my friend from Massachusetts, I am going to submit a chronology and some questions for the record to the RTC to answer. I recall it was Jerry Brown of California who first raised the question during the 1992 campaign, but we all will be able to benefit from these questions, which are along the lines that Senator Kerry raised. I also have a series of questions for the FDIC and for the RTC which follow up on these other questions, but in the time remaining I do want to pursue a couple of items. When

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we last talked, Mr. Altman, you said that normal procedure would be for the RTC to seek out and acquire records wherever they were. Now, if the RTC under your direction were requesting records from the first lady at the White House, a rather high-profile event, would it not be customary for them to advise you that they were requesting records in the possession of the first lady?

MR. ALTMAN: Senator, I don't get involved in any substantive aspects of any PLS case, particularly -- or including documents that they may seek. So they've never brought that to my attention since I've been in this job, and that goes right through today.

SEN. BOND: So you wouldn't expect them to tell you.

MR. ALTMAN: No, I wouldn't.

SEN. BOND: I find that remarkable. In a normal criminal referral case, the RTC creates and retains an inventory of pertinent documents used to make the case. As I understand it, at least one version of the inventory has been provided to some members of Congress. Could you furnish to this committee the latest, most up-to-date inventory and provide the hearing -- for the hearing record along with the previous versions? Would you make that available?

MR. ALTMAN: Last evening we supplied the -- 6,500 pages of information to Senator D'Amato's office, as we had some time earlier to Congressman Leach. SEN. BOND: And is that the entire inventory? Are those all the documents? You give new challenge to Federal Express and Overnight Postal Service to get the delivery of such a substantial stack of documents at the particular time, a new standard for delivery in package express.

MR. ALTMAN: Well, I have here a list of the documents.

SEN. BOND: Is that the latest version?

MR. ALTMAN: This is just a list of what the documents are. There's 6,500 in total pages. This is a list of the documents we provided.

SEN. BOND: If you could make one available for the record, we would like to have that. I'd appreciate it.

MR. ALTMAN: Be delighted.

SEN. BOND: Next, when did you become aware of the RTC recommendations that further criminal prosecution be taken against Madison?

MR. ALTMAN: Last fall I was advised that the question of a referral to the Justice Department was under consideration at the RTC, and as other members of the RTC staff will attest, I said that normal procedures, with no deviation whatsoever, should be pursued, including chain of command procedures, in terms of reaching that conclusion.

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I might tell you that typically decisions like that are made at the regional office level, and that it was in this case.

SEN. BOND: Were you aware that the regional office had asked the national office to make a determination as to whether the Clintons' name should be in the new expanded referral?

MR. ALTMAN: No.

SEN. BOND: You did not know they were asking for the national office to make a determination on that?

MR. ALTMAN: No. I was simply informed that this issue was on the table, and my reaction was -- I had only one conversation about it -- that normal procedure should be followed. That's the way we're going to handle this thing from beginning to end.

SEN. BOND: How was the White House notified of the referral? Was it from your agency?

MR. ALTMAN: They were not notified by the RTC, to the best of my knowledge.

SEN. BOND: Nobody in your agency, to your knowledge, advised the White House staff that this was going to be a major -- this could be a major source of concern?

MR. ALTMAN: Not to my knowledge.

(Confers off mike.)

Ms. Ford, do you know if the White House was notified by the RTC?

MS. FORD: No, we have had no involvement at the Oversight Board whatsoever.

SEN. BOND: When was the firm of Madison & Pillsbury put on retainer by the RTC, do you know? And for how long and what cost?

MR. ALTMAN: I don't know that. I'm aware that that firm has been retained as outside counsel on this matter, but I'm not aware of the date on which it was retained nor the retainer arrangements.

SEN. BOND: Will they review the potential of suing the various law firms who represented Madison or the board of directors?

MR. ALTMAN: I don't know the answer to that question.

SEN. BOND: We'd appreciate knowing that, if you could, later. And if there are other outside counsel or consultants hired in conjunction with the case, we would like to know that. And finally, I'm advised that the list you have there is just an inventory of the documents provided to Senator D'Amato; it is not the complete inventory of the documents pertaining to Madison. And if I'm mistaken, in either event, we would appreciate receiving a copy of the inventory of the entire documents.

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MR. ALTMAN: Well, Senator, I'm not sure I fully understand your question. But what we have released amounts to what we've been asked for, less any documents that, in our judgment, could prejudice the investigation. I told you earlier that we'd had a couple of conversations -- I haven't had them; I'm advised there were a couple of conversations with Mr. Fiske, with each side asking the other not to release information or take any other steps which would prejudice either side's investigation, and we're trying to adhere to that.

SEN. BOND: As I understand it, that you have prepared an inventory. I'm not asking for the documents themselves, but I understand that you had prepared an inventory and had furnished perhaps members of the House side, or others, with the inventory, not the contents of the documents.

MR. ALTMAN: Any information, I assure you, that we have supplied to Congressman Leach or anyone else -- elsewhere in the Congress, we're delighted to supply to you or anyone else here that would like them.

SEN. BOND: Would that include an inventory, a cataloging, not the contents but a cataloging of the documents in the Madison case?

MR. ALTMAN: We will supply you with any information to that extent that we can which does not get into areas that we think would prejudice the investigation. SEN. BOND: Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Boxer?

SEN. BOXER: Mr. Chairman, I'd like to -- I'm still working.

SEN. RIEGLE: All right. Senator Domenici, you're next in the order.

SEN. DOMENICI: Mr. Altman, you spoke a while ago of your one contact with the White House regarding this, and you and your counsel went up to talk to the White House counsel.

MR. ALTMAN: Yeah, one substantive contact.

SEN. DOMENICI: Please?

MR. ALTMAN: One substantive or meaningful contact.

SEN. DOMENICI: Yeah. Well, I assume -- we're not arguing there that you had -- you're not suggesting you had more than one, are you?

MR. ALTMAN: No. I'm just saying that if you -- you know, you run into someone in the hall -- did you see that thing in the paper this morning? -- I'm not including that.

SEN. DOMENICI: All right. You said you were there to give a heads-up. What I understand the situation to be on average folks, a couple of them in my state that were bordering up

alongside of a statute of limitations becoming a defense, they were presented with a tolling agreement, and if they didn't sign it, suit was filed so as to toll the statute. Is that a rather fair assessment of the way business is done? X000862

MR. ALTMAN: I think I'd have to know the details of the matter, Senator.

SEN. DOMENICI: Well, I guess what I'm wondering, are we getting the right perspective of why you did this? Did you go there because you wanted them to know that clearly they might be asked to sign a tolling agreement, or to know that the normal process was that the toll -- the statute's going to toll, and there's reasonable grounds to suspect something, they might expect a lawsuit? Or why else would you give them heads-up?

MR. ALTMAN: The difference between this and a matter like the one you referred to is that I had been receiving -- had begun to receive a lot of inquiries, including in writing from Congress, as to what procedures the RTC was going to follow, and I wanted to give them the same sense of those procedures that I was giving members of Congress. And I said to them nothing different than I've said to members of Congress.

SEN. DOMENICI: Well, I understand that, but I guess what I'm getting at is there must have been a reason for telling them that. Congress was just saying the statute's going to run, what are you going to do, so you went over there to tell them that we're going to apply the same thing we do in any other case? And that's the heads-up that you were giving them?

MR. ALTMAN: That's right.

SEN. DOMENICI: Was it serious enough that you wanted them to know because there might be something that they would be confronted with that was untoward as you applied your rules, like asking for a tolling agreement or filing a lawsuit? MR. ALTMAN: Again, the essence of what we said was that the statute of limitations which then applied was scheduled to expire on February 28, 1994; that the RTC was going to make every effort to make a decision by that date. It could fundamentally reach only one of two decisions, that there was a basis for a claim or that there wasn't. If there was a basis for a claim then we would either seek a tolling agreement to permit more discovery and more preparation or we would file that claim in court.

SEN. DOMENICI: Well the passage of the statute of limitations extension eliminates that problem as you have already indicated.

I guess, Mr. Chairman, I'm having a little difficulty with explanation because one way of looking at it was that it was not a very meaningful or important meeting -- that he was just doing this so that he would be able to tell Congress he had told them he's going to treat them the same way as others. I don't think a man -- you know, I know you fairly well -- I don't think you would be going over there to just be able to send this letter to Senator D'Amato that says I have told the White House that they're going to be treated the same way as other people --

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MR. ALTMAN: Senator, I did not know whether they knew of such procedures which as I say I was then communicating to members of Congress and it just seemed to me a little odd to explain to a member of Congress that we're going to follow "XYZ" procedures and not have them ever be made aware of what those were.

SEN. DOMENICI: Well, I want to close on this remarks by thanking you, Mr. Chairman, for holding these hearings. I hope the public understands the Republican response to Senator Kerry, you know, it's almost an insult to accuse us of not being concerned about oversight and that some how or another the other side is more interested in how the RTC turned out. Frankly, that's just borders on being a joke. This hearing, we have all your statements, we're going to read them. So we're going to know what you were going to say. If you sent it to us yesterday, our staff has probably read it already and they'll brief us so we're going to know. My last observation would be that it's inconceivable to me Mr. Altman that you would really be concerned that the people involved in the investigation, whomever they are, whether it be the people in Arkansas, whether it be confidants of the President, whomever, that they would not know that the statute of limitations was going to toll and that that presented a situation that you had to advise somebody on.

I just don't think anybody involved in this would not know that.

MR. ALTMAN: Senator, I also -- I would agree with you. I can't say for sure. I don't know what was in their minds. I doubt very much that they did not know about the statute of limitations.

SEN. DOMENICI: Right.

MR. ALTMAN: What I was saying was not that. What I was saying was I did not know if they knew and, frankly, my impression is, as a result of that meeting, they hadn't previously known what procedures the RTC would be following. By that I mean that you have to choose between -- you have to reach a conclusion as to whether there's a claim or there isn't, and then what you have to do if you reach the conclusion that there is.

SEN. DOMENICI: All right. Thank you very much.

SEN. RIEGLE: Thank you.
Senator Faircloth?

SEN. FAIRCLOTH: Thank you, Mr. Chairman. And I will echo Senator Domenici. You have done a superb job of conducting. And I'll be very brief. My questions are to Mr. Hove. Mr. Hove, we keep coming back -- you said the FSLIC issued this report, who has long been out of business, and did the investigation on Mrs. Clinton and her relationship.

MR. HOVE: No, sir, I didn't say FSLIC. I said that the agency that handled the closing of First American was FSLIC, and that occurred before FDIC had any involvement in that.

SEN. FAIRCLOTH: All right. But who did the investigation -- I assume there was one done

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-- to determine that Mrs. Clinton had no involvement whatsoever that was worthy of looking at?

MR. HOVE: We did not do an investigation, we did not do a review because we don't have all the records. The records are the old FSLIC records that are not in one central repository. All we did was review the records that we had available at the FDIC, and the records that we had at the FDIC only indicated that Mrs. Clinton's involvement, from the records that we could review, was the two hours that she spent filing the amended complaint for her partner, Vince Foster.

SEN. FAIRCLOTH: So, what you're saying really is that you did a very incomplete and surface investigation.

MR. HOVE: We did not -- we simply looked at the records that we had, and we did not make an investigation any further than the records that we had available to us at the FDIC.

SEN. FAIRCLOTH: Well, I would say that Mr. Whitney (sp) issuing such a clearance for Mrs. Clinton in the name of the FDIC doesn't lend a lot of credibility to an FDIC investigation when he makes his statements and when you didn't really have the records to make an investigation, from what you're telling me.

MR. HOVE: What we were doing was correcting the information that was erroneous in the Chicago Tribune report because the Chicago Tribune said that it was an FDIC case, we said it was not an FDIC case. And we also said that from our records, this was the only involvement that we could have.

SEN. FAIRCLOTH: Well, don't you think it would be a good idea to hunt up the old FSLIC records and see what they might lead you farther? But I have a question, and then I'm going to -- (inaudible word).

The original suit was \$3.3 million. They settled it for 6 cents on the dollar, or \$200,000. What I want to know is how much was Mrs. Clinton paid, or the Rose law firm.

MR. HOVE: I can't tell you. I don't know that.

SEN. FAIRCLOTH: Can you find out?

MR. HOVE: We can try.

SEN. FAIRCLOTH: Well, I would like for you to let me know as quickly as possible how much the Rose law firm was paid, and also their work records to indicate who did the work to earn the money, because -- you say she worked two hours.

MR. HOVE: I didn't say that. I said the only thing that we can ascertain from the records we have was that she worked two hours. And let me remind you, Senator, that these records are disbursed from wherever FSLIC had the records, and we did not take possession of those

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records when FSLIC was closed down.

SEN. FAIRCLOTH: Are those records still available?

MR. HOVE: I don't know.

SEN. FAIRCLOTH: If she settled the lawsuit, the amount of hours she worked -- it is just impossible for me to believe she settled this lawsuit against Lassiter (sp), she signed the amended return, which was the settlement, the amended complaint, which was the settlement against Lassister, at a very favorable rate, then we turn around and find that Lassiter's -- the person with his power of attorney is back in the White House working.

MR. HOVE: Senator, the amended complaint reduced the complaint from 3.3 million to 1.3 million. The suit -- the settlement was some six months later. I don't know whether Mrs. Clinton had any involvement after that period of time in which she amended the complaint from 3.3 [million] down to 1.3 [million].

SEN. FAIRCLOTH: So we have no idea whether Mrs. Clinton made the final settlement totally.

MR. HOVE: I have no idea from our records and what we've seen --

SEN. FAIRCLOTH: And this two-hour thing -- she could have worked 200 hours.

MR. HOVE: What I have told you is what we have available at the FDIC.

SEN. FAIRCLOTH: But she could have worked 200 hours on it.

MR. HOVE: And all I'm telling you is that the records that we have indicate she worked two hours.

(Confers off microphone.)

Okay, the only records we have was that she billed FSLIC for only those two hours.

SEN. FAIRCLOTH: Billed who?

MR. HOVE: FSLIC. (Pronounces each letter.)

SEN. FAIRCLOTH: How about getting the total records from FSLIC and finding out how much the total bill was and whose time was billed? I'd like to see it. Thank you.

SEN. RIEGLE: Senator D'Amato?

SEN. D'AMATO: You know, Mr. Hove, I have difficulty if you really have trouble figuring out when a claim is initially lodged for \$3 million and then it is reduced and you say, well, you know, the law firm or this partner -- in this case, Mrs. Clinton -- only billed for two hours. But the nature of the work was such as to reduce that lawsuit and the potential

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liability to Mr. Lassiter (sp), who has a definite relationship with the Clintons. I mean, are we really to believe you don't understand that? Now, don't give me this two-hour stuff. I mean, the fact is that that claim was reduced -- the potential of the claim -- from 3 million down to a 1 million some odd, and therefore, a settlement of \$200,000 is much more reasonable in appearance when the initial -- when the suit is only asking for a 1.3 million as opposed to 3 million. Now, doesn't that make some -- I mean, do you see why a senator or anyone else would make an inquiry and say, "Look" -- I mean, what's the situation here? Are you telling us there was no conflict there.

MR. HOVE: But, Senator, you're asking FDIC, and FDIC did not have any involvement in that suit at that time.

SEN. D'AMATO: I'm not suggesting that. What I'm suggesting to you is that a period of time it came under you for review.

And if you look at this -- don't keep telling us that FDIC didn't have anything at that time. We're not suggesting that you did anything wrong. We're suggesting you take a look at the facts, take a look at the record, and you can be a school boy, you can't come to an inescapable conclusion that someone was retained to bring the lawsuit that had a relationship with the person that they brought a suit to. And as a matter of fact, whether it was two hours or one hour, the determination was made to reduce the claim that might bring the potential liability from \$3 million down to \$1 million and eventually settle for \$200,000. Now, we don't know who was responsible for the settlement. But the fact of the matter is that the partner who reduced and amended that complaint was Mrs. Clinton. Now that's obvious. I'm not going to spend my time going back and forth with you. I'm going to tell you something else, though. When we talked about the potential for conflict before, as it related to the Madison Guaranty and Mr. Hubbell, I want to refer you to a letter of June 8th, 1989. Now, Mr. Hove, you stated that since the Rose law firm -- when I first brought this up to you -- was suing Frost, it wasn't relevant that Web Hubbell's brother-in-law and father-in-law were suing Madison. Now, if you take a look at that letter -- and I'm going to suggest to you that you're wrong, and that's why you'd better have the IG look at this. June 8th, 1989, and it is written to April Breslaw (sp), Attorney, Federal Deposit Insurance Corporation. I'm reading part of it:

"Mr. Hubbell is the son-in-law of Seth Ward, a Madison insider who was able to obtain a judgment against Madison of approximately \$447,000." Now, I'm going to skip the next sentence, go down to --

"Since the conservatorship, the case has been removed and later remanded back to the State Court of Appeals. After appeal, a new trial will be sought, whether in state or federal court. At a minimum" -- it goes on to say -- "the state judgment will be attacked under various special FDIC defenses on its general inappropriateness. Miss Styrhorn (ph) has informed me that the informal -- the information contained in the audit files could be damaging to our case, especially if a new trial is granted."

It goes on and it concludes: "I offer this information because there appears to be a conflict in

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representation and a question of loyalties. Mr. Hubbell may or may not be able to compromise our interest in the Seth Ward matter." Now, look, I'm not suggesting that at that time that you know of it. Here it is. And that's why, if you don't refer something to the IG to clarify whether or not there was a conflict, you can't be doing the right thing. And for you to maintain, "Well, we weren't there at the time; it was at FSLIC" or "Maybe the rules were a little vague." I mean, for god sakes, you had lowly auditors saying, "Wake up, fellas." You had an auditor in another letter saying it's impossible to think that he's not going to tell his in-laws what's going on. So that's the kind of thing that brings about maybe the stamping that one of my colleagues alluded to.

Mr. Chairman, notwithstanding first of all I'm going to ask that we be permitted to submit some documents for the record that have been returned to --

SEN. RIEGLE: Without objection, so ordered.

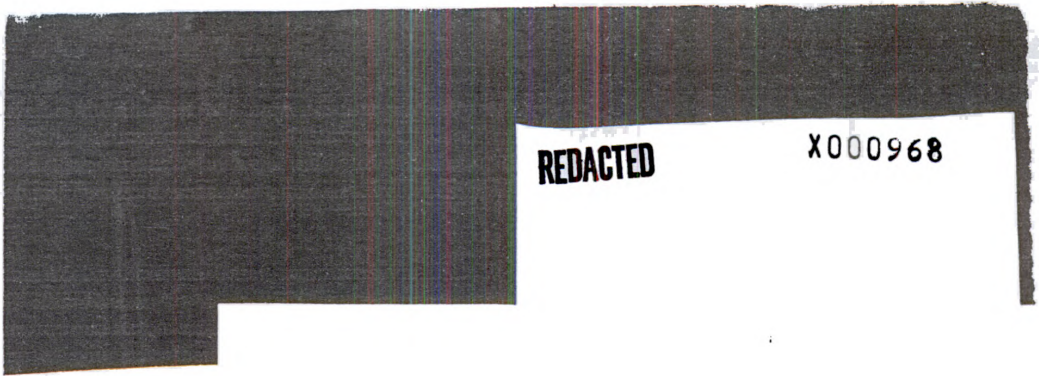
SEN. D'AMATO: -- so we can keep an orderly proceeding.

Secondly, I want to say before I conclude that you could not have been fairer in making available this opportunity and according the members the opportunity to make their presentations and to ask their questions under very difficult circumstances. So I want you to know that. And I think that I speak for all the Republicans on the committee in relationship to the manner in which you have conducted this proceeding. And it's not easy for you, and I just want to commend you for your impartiality.

And let me conclude again. I think what we're interested in, in this, is seeing -- and Senator Domenici said -- that the process moves forward without there being interference, without there being a question as to what documents have been made available to the appropriate people, what has been taken. Some of these things have no -- I see Mr. Altman. He's placed in a very, very difficult position. I've said that publicly as well. It is a very, very difficult situation. And it certainly -- it leads to us raising the kinds of questions that we have. But I tell you this senator wants to see that what was supposed to be done was done, that what should be done at the present level is carried out in a manner in which everyone can say that the right thing was done. And then let the chips fall where they may.

So, Mr. Chairman, again, thank you for providing us an opportunity to put forth our concerns, and hopefully, this will move us a step closer to resolving this matter. Thank you. SEN. RIEGLE: Thank you very much. We'll give you some questions for the record, and we'd ask you to respond to them. The committee stands in recess.

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March 2, 1994

MEMORANDUM FOR ASSISTANTS TO THE PRESIDENT
DEPUTY ASSISTANTS TO THE PRESIDENT

FROM: MACK McLARTY

SUBJECT: Contacts regarding Madison Guaranty, Whitewater,
and related matters

Any contact from any Executive Branch or independent agency, and any formal inquiries from Congress, regarding Madison Guaranty, Whitewater, and any related matters should be directed promptly to the Counsel's office. The Counsel to the President has charged Deputy Counsel Joel Klein with determining whether such a communication should be directed to the President's personal attorney or addressed by the White House. If the communication should be addressed by the White House, Joel is responsible for directing the response.

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March 2, 1994

MEMORANDUM FOR ASSISTANTS TO THE PRESIDENT
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March 2, 1994

MEMORANDUM FOR ASSISTANTS TO THE PRESIDENT
DEPUTY ASSISTANTS TO THE PRESIDENT

FROM: MACK McLARTY

SUBJECT: Contacts regarding Madison Guaranty, Whitewater,
and related matters

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of 1500 1st St. S.W.

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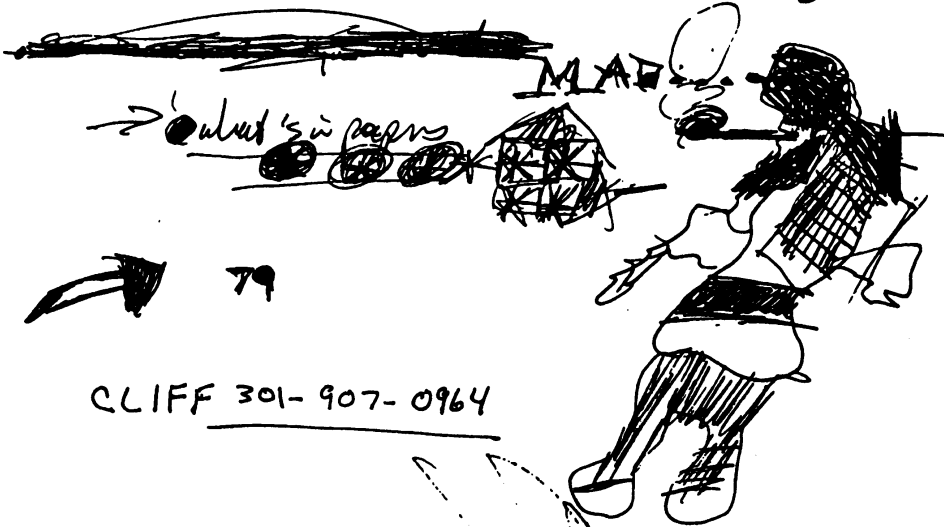
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Don Noldy

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→ any info
 Exper. Band or ind. agency
 very Modis, ~~at~~ Whitcomb, av. ~~for~~ ^{as related matter}
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Talking Points re February Meeting

- There was nothing improper about Roger Altman's meeting in early February with White House Counsel Bernard Nussbaum, Harold Ickes and Maggie Williams.
- Mr. Altman took the precaution of checking with the Treasury Department's ethics officer before the meeting and the officer gave Mr. Altman clearance to go forward with the meeting. [WHAT WAS ETHICS OFFICER'S UNDERSTANDING ABOUT THE SUBSTANCE OF THE MEETING? DID HE UNDERSTAND PRECISELY WHAT ALTMAN WAS GOING TO DISCUSS?]
- That ethics officer, [Dan Forman], is a Republican career Treasury official who was moved up to Deputy General Counsel -- a political appointment -- by President [Bush] and held over in that position by President Clinton.
- Mr. Altman's interest in explaining the posture of the Madison Guaranty matter was entirely reasonable.
 - This was early February and the statute of limitations on RTC civil claims in matters including Madison was scheduled to expire February 28. Congress was considering an extension of that deadline, but it was not yet clear that such an extension would pass.
 - There was a great deal of congressional, press and public interest in whether any civil actions would be brought in connection with failure of Madison Guaranty.
 - Mr. Altman briefed members of Congress [WHO; WHEN; ABOUT WHAT, EXACTLY] and the press [SAME QUESTIONS] about the procedures the RTC would follow in determining whether to file suit or seek a voluntary extension ("tolling agreement") of the statute of limitations.
 - It was perfectly sensible for Mr. Altman to want to communicate this same information to the White House.
- As the decision of the Treasury ethics officer makes clear, there was nothing illegal or unethical about Mr. Altman providing this briefing to the White House.
- In retrospect, despite the clearance he received from the ethics officer, Mr. Altman may wish he had chosen a different means of briefing the White House. But there was nothing wrong with information being communicated.

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• Alman's file
 - NY 11-319122 // Alton + W

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- piece of news
 - BU Rules - RTC
 - UP 1 KC RTC office - office which failed
 9 referrals - phone - Sue Schindler - W. lost
 vital info suppressed - didn't write anything
 = perfectly -
 - denied unrelated #1's for R & E
 investigators
 - 9 cr. - referrals
 - back - Crim. referrals to D.C.
 - apparently - K.C. to D.C. -
 D.C. to L on Friday -
 - cr. referral since last September -
 - referral last September - Whitewater Co. -
 R. Clinton, Jr. in person
 - 9 referrals - allegations re: Fulbright -
 S. B. Tucker
 'attempt to deny facts'
 - most allegations - compare to deny facts -

9 new referrals

X000924

- conspiracy to divert funds for capital of Clinton -

• Mackayall

• Pearock

• Clinton '85 campaign as co-campaigners

Clinton mentioned in other charges as potential witness



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stomach patterns
 - Sue Schmidt - was out in k.c. - arrested & next gate
 at home - asked gis - how answer

- Jeff Gerth working on it

① ^{Whiteaker} ~~Develop~~ Develop - Internet for help - FU?
 10/15/86 - SP sold press 7 part 3 ^{Widows}

② Seth Wood = Webb father - in la?

③ knew 3 senior parties in house in Fu in a8
 Joe because he ~~was~~ made name 880?

④ Vince Foster involvement of this?

→ interviewed Tom McDougal 1 day before

X000986 :

Steve Conrad called public
- Sue Schmidt - ~~at~~ F.T. person - RTC also

RTC Early Brief - Wash. Post & AP

pursing these Firm's undisclosed

like when left - for sure

- The these law firm's alleged undisclosed
Conflict of interest, and internal RTC
sources suggests that multiple
refers to the Justice Dept, like
the Firm's rules

NO CONTEMPT

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THE WHITE HOUSE
WASHINGTON

March 1, 1994

MEMORANDUM FOR FILE

FROM: JOHN D. PODESTA
ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY

W. NEIL EGGLESTON
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: WHITEWATER--TRANSCRIPT OF SENATE BANKING COMMITTEE
HEARING

Attached please find the transcript of the testimony portion of the hearing before the Senate Banking Committee last Thursday, February 24, 1994.

The opening statements will not be available until the Committee releases the transcript.

W.N.E.

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FEBRUARY 24, 1994, THURSDAY

X000988

SECTION: IN THE NEWS

LENGTH: 26366 words

HEADLINE: HEARING OF THE SENATE BANKING COMMITTEE

SUBJECT:

RTC THRIFT DEPOSITOR PROTECTION OVERSIGHT BOARD SEMIANNUAL
REPORT CHAIRED BY: SENATOR DONALD RIEGLE (D-MI)

WITNESSES:

LLOYD BENTSEN, SECRETARY OF THE TREASURY

ROGER ALTMAN, INTERIM CEO, RESOLUTION TRUST CORPORATION

ACCOMPANIED BY:

ALAN GREENSPAN, CHAIRMAN, FEDERAL RESERVE BOARD

ANDREW HOVE, ACTING CHAIRMAN, FEDERAL INSURANCE DEPOSIT

CORPORATION JONATHAN FIECHTER, ACTING DIRECTOR, OFFICE OF THRIFT

SUPERVISION DIETRA FORD, EXECUTIVE DIRECTOR, THRIFT DEPOSITOR

PROTECTION BOARD 538 DIRKSEN SENATE OFFICE BUILDING

WASHINGTON, DC

BODY:

SEC. BENTSEN: Mr. Chairman, members of the committee, I have the Oversight Board members with me here -- Mr. Alan Greenspan, chairman of board of the Federal Reserve; Roger Altman, who's the interim CEO of the RTC. I've got Jonathan Fiechter, who's the acting director of the Office of Thrift Supervision; Andrew Hove, who's the acting chairman of the Federal Deposit Insurance Corporation. Also accompanying us is Dietra Ford, who's the executive director of the Oversight Board.

And I have a longer version for the record, but I'd like to summarize it, particularly with the lateness of the hour, if I might.

SEN. RIEGLE: We'll make your full report a part of the record, and we'd like your summary.

SEN. BENTSEN: Before I begin, and listening to the partisan exchange, let me thank the members of this committee for their bipartisan support last year, in the last session, to obtain the funding to finish the RTC job. I'm quite appreciative of that.

Let me tell you something you don't hear very often. We're not here to ask for more money. The funding -- (applause, laughter) -- the funding provided through the RTC Completion Act ought to be sufficient. In fact, they tell me this is the first time that the Oversight Board has been before you that it wasn't asking for additional money and funding. And I'm just very pleased to be able to inherit that honor.

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I'm also happy to report that few S&Ls are failing, and 99 percent of private-sector thrifts are well or adequately capitalized. OVERSIGHT Let me review some of the numbers for you. Since the RTC was created in 1989, it's taken over 743 failed institutions and it's closed or sold 680 of them. In the process it protected nearly 23 million deposit accounts with an average balance of \$9,000. RTC made good on the government's guarantee of deposit insurance to millions of Americans nationwide. And, I might add, it did it with a minimum of disruption. A lot of the customers didn't even know that the RTC had taken over their S&L. The RTC also undertook the greatest liquidation in history, so far disposing of \$393 billion in assets for about 90 percent of their book value. Frankly, I couldn't believe that one. I made them go back and check it again for me. The RTC sold since its inception nearly 80,000 units as affordable housing. So at least tens of thousands of lower-income families have benefitted as this problem is being solved.

Now, crime is at the top of our agenda these days. We talk about violent crimes. Well, this scandal had criminals -- had white collar criminals. More than 1,500 persons were charged with major crimes involving S&Ls. Nearly 1,250 were convicted. And of those sentenced, more than 75 percent went to prison. And RTC has pursued several recoveries from wrong-doers with all involved agencies collecting nearly \$2 billion.

Mr. Chairman, when this administration took office the total cost of resolving the S&L problem was estimated at between \$100 and \$150 billion. When I testified just last March, we thought as much as 45 billion in additional funding would be needed. That was on top of the nearly 87 billion already appropriated.

A lot of people agreed with us. The Congressional Budget Office estimated 50 billion. The General Accounting Office had us around that level. And so did the House and the Senate budget committees. As RTC funding legislation moved through the Congress last year, constantly improving economic conditions resulted in record earnings for the S&L and the banking industries. By mid-November after lengthy deliberations in both houses, the funding bill provided \$18.3 billion, and that brought the total amount that's provided by Congress for the clean-up to \$105 billion, a figure on the low end of the estimate when this administration took office.

And I know the results could have been different -- easily. Depositors could have lost all their savings. Loss to the government could have been far greater, resolution of the problem could have taken much longer. But to the credit of a great many people, and they're seated in this committee, in addition, the problem is near resolution.

I'd like to give you some -- and I'd like to give some credit to the management of the RTC. And I think we'd sure better credit the economy. Deficit reduction has helped interest rates to fall. We've taken steps to increase the availability of credit, tackling unnecessary regulations and report requirements that discourage lenders from making loans to small business. And we'll continue to propose changes that will result in greater credit availability and efficiencies in the banking industry. This is why we want to sell a number of issues, including passage of the community development financial institutions legislation, which includes a balanced reduction and regulatory reform. I'll be before this committee next week with specifics on the

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administration's proposal to reform and simplify the regulatory structure for depository institutions. Our proposal not only will eliminate unnecessary regulatory expenses which could result in the availability of greater credit, but as importantly, it can help avoid new crisis by putting a stop to inconsistent and confused regulation. But we'll talk more about that next week. But the point I want to make on deficit reduction is that the market responded, the economy responded. Housing starts and home sales are up, and that's sure good news when you're the RTC and you're trying to dispose of property. I can't help think back what a dramatic difference interest rates make. I used to chair a savings and loan. Sure glad I sold it when I came to the Senate. (Laughing.) But I'll tell you, not smart, just lucky! But I'll tell you -- (laughter). But I'll tell you, when you've got your mortgages at one rate and all the sudden long-term interest rates go substantially above that, you've got yourself a real problem in an S&L. And when you've got the government saying we'll guarantee the first 100,000, and you've got a small, new S&L, and then they have Wall Street bundle up hundreds of billions and send it to a little S&L. We saw that thing happen in Vernon, Texas. A good example of that. And then you see the others who are honestly trying to compete and what a hold it puts on them. Fortunately, we're seeing things go the other way with this substantial reduction in interest rates.

And I want to say to you, Senator Bennett, I've seen some of what you're talking about, too, where sometimes they were overzealous. And that balance is in part the concerns of what Senator Boxer has for those that have been ill-used and guilty of malfeasance. But lower interest rates and increased credit activity have brought about increased earnings for all types of financial institutions. Many S&Ls that may have been at risk are now making profits. But you and I know we can't predict what's going to happen between now and '95 when the RTC goes out of business. Nobody foresaw the floods and the earthquakes, and they had their economic consequences. We're not done yet.

Through '95, RTC must continue to protect depositors. They must dispose of some very hard-to-sell assets. And it must ensure its operations run effectively. It must work toward an orderly transition of its responsibilities to the FDIC. And it must never lose sight of its mandates to provide affordable housing and maximum minority participation, including implementation of provisions of the RTC Completion Act.

I've urged the RTC to work aggressively on the issue of minority participation. It's imperative that minority- and women-owned businesses have an ample opportunity to win contracts, to purchase assets and to acquire failed thrifts. In fact, the RTC is taking special care to meet the requirements of the completion act to provide preferences to minority institutions while applying the least-cost test.

Let me be more specific on some of those things I mentioned. The RTC has begun resolve 63 insolvent institutions now operating in conservatorship, which about 2.3 million deposit accounts. Some additional institutions may be transferred this year. If so, the RTC will make good on the government's guarantee to those insured depositors and any others who might yet fall under its jurisdiction.

Insofar as the remaining inventory of nearly 64 billion assets -- \$64 billion in assets, these, as

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you said earlier, Mr. Chairman, are the most hard-to-sell properties that are left: real property and non-performing mortgages. While the improved economy helps sales, the potential loss to the taxpayers could be reduced if these assets are managed and sold efficiently. The RTC is working on improving its marketing and sales strategies and is seeking creative, yet sound techniques to maximize returns.

To fulfill its remaining mission, the RTC will benefit from good managers. Jack Ryan of OTS was appointed deputy CEO. Ellen Kukla (sp) of the OTS has been appointed general counsel. And Tom Horton has been promoted to acting senior vice president for asset management and sales. And I can tell you today that the administration expects to submit its nomination for a permanent chief executive shortly.

I thank Roger Altman for the service that he has done as the interim CEO. His term expires the end of March, and we hope by then to have a candidate. In line with the RTC Completion Act, Jack Ryan will serve as the interim CEO between the time Mr. Altman's term expires and the permanent CEO is confirmed. The Oversight Board will also make some appointments to the audit committee, which will be in operation soon.

I've asked Frank Raines (sp), vice chairman of Fannie Mae, to chair that one, and to serve as members we asked Jonathan Fiktar (sp) of OTS, Robert Larsen (sp), vice chairman of the Taubman (ph) Company and a former member of the Oversight Board. Mr. Larsen (sp) has also been renominated to serve on the Oversight Board, and I hope you'll be able to approve his nomination soon. The RTC will close down on December 31, 1995, one year earlier than originally thought, and planning for that is well underway. I expect the new management to work with the people at the FDIC in a cooperative way to carry out the transition of the RTC to the FDIC.

This past year the Oversight Board has also strengthened our staff reviews. I was being reminded of my testimony of last year and the recommendations and the improvements that we sought to bring about. We have done a number of them. We haven't completed them all. We're obviously still working at it, and we're scrutinizing some.

For instance, our staff has been monitoring the RTC's efforts to improve its contracting systems and its oversight. A review is being conducted to make sure policies are applied uniformly to all contractors and that contract oversight procedures provide effective review of performance. Another example: The staff has focused on the RTC's financial operating plan, its operating budget and all its borrowing activity, and our advisory boards are taking hard looks at the policies governing asset sales. Late last year, Ira Hall of IBM USA was named chairperson of the National Advisory Board, bringing considerable financial expertise and private sector expertise to that process.

These boards meet regularly at sites nationwide to discuss progress and to hear testimony from witnesses on how these regulations and procedures affect different parts of the country. The RTC listens to their advice, and they have been instrumental in advancing affordable housing opportunities. Our advisory board structure will change this year.

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The Completion Act created a new affordable housing authority board to replace the National Housing Advisory Board. That new board will be made up of nine members, including the secretary of HUD. They will be providing advice on affordable housing programs, and how to merge RTC programs with the FDIC programs after the shutdown, and we're looking forward to working with them. Now, last year at this hearing, as I said, I announced those ten goals insofar as improving or reforming RTC management -- things like putting in place a system to ensure prompt follow-up on findings of the inspector general and the General Accounting Office, strengthening the contracting system and oversight of its private sector contractors, appointing a chief financial officer. The RTC Completion Act mandated and expanded on those reform, and RTC is moving to meet the standards that Congress determined and set.

I'm pleased with the results, and in a minute, I'd like Roger Altman to discuss them with you one by one. I hope you especially note what we've done on opportunities for minority- and women-owned businesses and in strengthening our internal accounting and administrative control systems. I personally believe that these programs are an important part of RTC duties and that this is an area it must continue to focus on to ensure legislative mandates are carried out. And Mr. Chairman, let me end on this. I believe that the RTC has made significant progress in the past year in achieving its mandates and in addressing the concerns that you folks in the Congress raised, concerns by the GAO and by the oversight board. You bet there've been a lot of problems, but the organization has been relatively free from partisan conflict. Republicans and Democrats alike have been committed to fulfilling the government's obligations to protect depositors at the least cost to the taxpayers. In '94 we'll keep working at that one, and looking to '95, well, I believe the RTC will be more than happy to be out of business. I sure will be happy. Thank you. Now let me turn it over to Mr. Altman.

SEN. RIEGLE: Mr. Altman, we'd like to hear from you now.

MR. ALTMAN: Thank you, Mr. Chairman. I, too, have a longer statement which, with your permission --

SEN. RIEGLE: Without objection.

MR. ALTMAN: -- that I hope would be entered into the Record, and I'll summarize it here. This is probably the final time I will appear before the Congress in any RTC capacity. Under the terms of the Vacancy Act, my appointment would expire on March 30. There are limited circumstances under which that could be extended, but I don't believe they will apply. As Secretary Bentsen said, it's our intention to nominate a permanent chief executive as soon as possible.

Last year we chose I think a fine candidate, Stanley Tate (sp). He withdrew, which was not at our urging, and I believe he would have done a good job. I also want to join with Secretary Bentsen in thanking the entire committee for its bipartisan efforts to secure funding through the completion act passed late last year.

I'd also like to note that the RTC has taken special efforts to be responsive relative to the

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California earthquake. Foreclosures in those effective areas have been delayed, home owners are being helped to avoid delinquencies on mortgages held by the RTC, and we notified FEMA of 54 multifamily units and 47 single family residences that can be made available for temporary housing. Now, on to the status report.

Mr. Chairman, the S&L collapse required the biggest financial rescue probably in world history. Including money spent by the FSLIC beginning in 1988 it's expected to cost the American taxpayers the staggering sum of about \$150 billion. To put that into perspective, at today's budget levels that's equivalent to about 45 years of Head Start, about nine years of Aid to Families with Dependent Children. And at a time when we all struggle to finance federal support of vital activities from national security to education, these are sobering comparisons. I'm sure all of use would agree on a bipartisan basis to make every effort to ensure that such a fiasco is never repeated. When we inherited responsibility for this agency, it was not in sound condition. It was one of the largest contracting organizations of all time. But it had poor contracting procedures. It was selling assets in massive blocs, denying local investors a shot at local properties which they knew best. And despite being larger than almost any American financial institution in the private sector, any bank or any securities firm, it had no full-time chief financial officer, no permanent general counsel, and it had no business plan. So we determined to concentrate on repairing the organization and when Secretary Bentsen first testified before this committee, almost exactly a year ago, he outlined a series of management reforms to which we committed ourselves, and I'd like to very quickly just review some of those. A full-fledged review of all 21 of them is appended to my statement.

Contracting. We found that the agency's contract award procedures had often been violated in the past, and our first action there was to mandate compliance. Some of the compliance problems reflected weak organizing principles. Contracts were often let by the same employees responsible for overseeing them. Obviously, in the event of a compliance problem, the employee then had little incentive to draw attention to it. So the Office of Contracts has been reorganized into two separate units; one for contract solicitation and award, and another for contract administration, to avoid conflict, and the scope of contracting oversight has been substantially expanded. Among other things, the staff there has been more than doubled, and reviews of nearly 500 outstanding contracts were undertaken last year.

Next, audits. A new reporting system has been implemented to ensure that management responds to the concerns raised by auditors. And that system now tracks and updates the status of all inspector general, GAO and internal RTC findings and recommendations. And I'm pleased to say that the RTC today is current in following up on almost all GAO and OIG findings. **Business plan.** We completed a comprehensive business plan. We provided copies of that to this committee. It is a highly detailed and, I think, objectively speaking, good piece of work. It's intended to be a living document and we're going to update it regularly as conditions warrant.

Chief financial officer. Donna Cunningham, our chief financial officer, has been on board for about eight months. She's taken that helm very ably, as reflected in a series of improvements in the internal controls in the organization.

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The professional liability section. This has been a particularly troubled area of RTC operations. There have been complaints from both sides of the spectrum, as the comments already here today illustrate; complaints that the RTC was unfairly pursuing former S&L directors who had no real roles in those organizations and, on the other side, complaints that the RTC was not sufficiently zealous in pursuing the real crooks.

As GAO recognized in its mid-'93 report, the primary problems have involved inadequate staffing and an overall lack of experienced attorneys and the temporary nature of the RTC has made it particularly difficult from a recruiting point of view. But we have worked hard to increase the size and the training of the staff in this area. We currently have the highest total of attorneys on board in the agency's history. Moreover, senior RTC and FDIC officials are planning to merge the RTC unit here, the PLS unit, with its counterpart in the FDIC, recognizing that the FDIC is a source of experienced attorneys in this area.

I also want to say that effective prosecution of PLS claims continues to be one of the RTC's highest priorities.

Secretary Bentsen referred to our having formed an audit committee and appointed its members. We have also established a joint coordinating committee with the FDIC for purposes of planning the transition or portions of the RTC back into the FDIC by the end of '95.

I'd like to make a special set of comments about expanded opportunities for minorities and women. That's been one of our highest priorities, as Secretary Bentsen said. First of all, we elevated the minority and women's program to the divisional level, put the head of it on the executive committee reporting directly to the CEO. We took action to expand the number of minority- and women-owned businesses receiving RTC contract solicitations. And there are now more than 1,100 of them in our database.

Let me say a couple of words about the record. On a cumulative basis since inception of the \$3.7 billion awarded in nonlegal fees, \$800 million have been awarded to minority- and women-owned businesses, 21 percent. Take a look at last year. We paid nonlegal fees of \$500 million. Minority- and women-owned businesses received 31 percent of those. We also encouraged efforts to encourage the use of minority- and women-owned law firms on the legal side, as far as legal fees are concerned. Last year, such firms received \$54 million, or 13 percent, of all legal fees from us, a big increase over the '92 level. And within the category of minority- and women-owned law firms, minority-owned law firms received \$36 million, far above the \$23 million of a year before. I think the entire RTC is quite proud at the sharply increased levels of minority and women's participation in all of the fee-generating activities of the agency, and details on that are also appended to my statement. Turning briefly to operations and financial issues, Secretary Bentsen cited a series of statistics relative to the amounts of institutions which have been resolved since inception. To me the most important statistic is \$9,000. That's the average balance in institutions which have been resolved. And for those who think this has been a bailout of the rich and famous, I think that's a pretty telling number.

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We have 63 institutions under conservatorship today, \$18 billion of deposits. Now that the Completion Act is law, we're in the process of marketing these remaining conservatorships. We think these 63 will be resolved, Mr. Chairman, by the summer of this year, and it should cost \$9 billion to \$11 billion to do that.

On the asset sale side, we exceeded the targets we initially set last year. Book value reductions, \$63 billion; cash proceeds, 76 percent of that. That's a recovery rate below previous years because now we're down to poorer-quality assets, hard-to-sell assets. For this year, '94, we expected to reduce the book value of our inventory by \$43 billion, cash proceeds \$29 billion, projected recovery rate, 66 percent.

Now, on this asset sales side, one of things we did was to put in place a small investor program because, if I've heard anything in this past year in this capacity, it was that local investors were not -- did not have a shot at local properties which they knew best. So we took steps to ensure that assets would be available for sale individually to small investors with moderate levels of capital. Under this program, individual offerings of real estate properties have been emphasized. Underscore "individual." Auctions and sealed-bid sales have become more frequent and geographically focused. Smaller loan pools are being offered to allow buyers to purchase smaller, more geographically segmented groups of loans. And I'm pleased to say that at the most recent non-performing loan auction, in August last year, a third of the winners were new buyers who had not participated before, and the new bidders, overall bidders were for the most part smaller companies with a much higher preference for small loan pools and were most interested in buying geographically-focused loan packages located in their own areas.

Affordable housing -- Secretary Bentsen noted this -- since inception we've sold over 77,000 units, for a total of \$1.2 billion. The average annual income of households purchasing in that program has been about \$24,000, which, by the way, is 61 percent of the national median family income. Finally, Mr. Chairman, the issue of whistle-blowing.

As was noted earlier, last September this committee held oversight hearings where a variety of allegations were made, including retaliation against whistle-blowers.

Now, let me emphasize in the strongest terms, we support protections for whistle-blowers and have taken several actions to address those allegations. I issued a memorandum on October 4th to all RTC employees strongly reiterating our policy of prohibiting retaliation against whistle-blowers. We established an employee ombudsman program to augment the efforts of the inspector general in gathering all types of employee allegations. That ombudsman reports directly to the CEO on a weekly basis, and I think that program is working pretty well, because as of February 15th we'd received 116 inquiries, 96 of which had been closed and 20 of which were still pending.

We also had conversations in person and by telephone with six of the individuals who testified here before this committee. And during these interviews we solicited comments, feedback, and suggestions from them on how best to remedy the problems which they raised. And a number of those interviews were insightful and have been taken into account in our

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efforts to remedy some of the management problems at the RTC. And I just want to underscore how seriously we have taken these allegations and that hundreds of hours have been spent working to understand and resolve them.

In closing, the Completion Act requires the RTC to terminate on December 31st, 1995. We will make that, there is no question that we will make that, and I think it will be a happy day for all concerned, especially the American taxpayer. Thank you.

SEN. RIEGLE: Thank you very much. We're going to now proceed with the questions, and we'll go with the normal five-minute time periods.

Chairman Greenspan, let me start with you. The Federal Reserve, of course, has raised interest rates earlier this month, and you just indicated publicly again that further increases are likely. And we know in the past that rising interest rates have had the effect of causing significant problems for thrifts. Now, obviously, the amount is highly relevant. But my question to you would be what effect are these higher interest rates likely to have on the RTC and, for that matter, on the future health of the thrift industry, which is still trying to work its way back?

MR. GREENSPAN: Mr. Chairman, I think you raise a very important question, because one of the lessons of this whole experience has been that we have -- we've put into place in the early post-war years an institution which was a specialized institution, one which could not function in a period of significant inflationary imbalances, an institution which had long-term assets and short-term liabilities. And, as the secretary indicated, when interest rates generally go up that institution is pressed as, indeed, we saw in an extraordinary sense in the period 1979-1980.

One of the things that is very important that we not allow to happen again is that extraordinary type of inflationary imbalance which was so destructive to those types of institutions. To be sure, savings and loans as a consequence of that have restructured their balance to a significant extent and the maturity mismatch is not of the size that it was previously.

Nonetheless, should interest rates rise significantly, then I think it does put those institutions in a very difficult position. It's been the concern of the Federal Reserve that we endeavor to fend off any such types of inflationary instabilities, and the actions that we took -- we took on February 4th, and the general discussion which I outlined to the House Banking Committee's subcommittee in trying to comprehend the type of problems that may be out there, were put forward precisely to prevent the types of difficulties which so debilitated the savings and loans.

To date, the effects on these institutions, of course, have been minimal, and we don't expect to see any particular problems emerge on that, but I would like to call -- ask my colleague, Jon Fiechter, what he sees, he's looking at these institutions in a much more detailed way than I.

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MR. FIECHTER: I would echo what Chairman Greenspan said. One -- well, first, clearly a major risk in the thrift industry, given the nature of the business, is interest rates, but a real difference between the thrift today versus the thrift of the late '70s that ran into so much difficulty when the -- there was the rate (spike ?) in the early '80s, is that restructuring both of assets and liabilities, there are a lot of thrifts now that won't hold fixed rate mortgages any longer because they went through the early '80s. Also, as a consequence of (rate Q ?), institutions are able to much better manage their liabilities. As you know, Mr. Chairman, as a consequence of FDICIA, OTS has spent a lot of time on interest rate risk. We have a fairly extensive model, and in anticipation of a question such as this, I asked the staff based on the information the thrifts now provide what would be the effect of a 200-basis-point increase in interest rates if it were to happen as a shock -- sort of an across-the-board increase, but I don't think we're talking about that type of change. Only ten institutions would fail their current capital requirements.

None of them would go below 2 percent capital, however. And while it's a very uncertain world we live in, the analysis that we've done has suggested that at least in the numbers that we're talking about today, the thrift industry is in a much better position to handle rate increases going forward.

SEN. RIEGLE: I think that's an important response because I think it shows as well that in re-engineering, through FIRREA and then FDICIA, the arrangements that the general strategy is working. Now, if we get overtaken by, you know, events that were to drive interest rates above 200 basis points then we're into a different zone. But let's hope we're not going to deal with that. Chairman Greenspan, let me ask you one other question. This issue has obviously gotten a lot of attention here this morning. Are you satisfied with the way the Madison Guaranty issue has been handled by the RTC?

MR. GREENSPAN: The oversight board has, as far as I'm concerned, had no relationship with the Madison issue because that is a special case which is handled by the RTC directly. And I must say, I have not followed it in any manner which would enable me to address the question in a useful manner for you. SEN. RIEGLE: Senator D'Amato?

SEN. ALFONSE D'AMATO (R-NY): Thank you, Mr. Chairman.

Mr. Hove, on August 10th, 1989, there was a letter written to Mr. John O'Donnell by a Ken K. Schenck (sp). He's a credit specialist. I don't know whether you've seen this letter in your reviews of this whole matter, but just let me read you the last paragraph.

"In the process of our suit against Frost & Company, we will most certainly examine practices and procedures Madison Guaranty used in the day-to-day operations. We are making this information available in detail to Mr. Hubbell." Now listen to this sentence: "To believe that none of this information will make it back to his family is naive. I do not know whether or not any information upcoming will be damaging, however, I would like someone with a wider scope of authority to review the situation and possibly eliminate this conflict." Here's a credit specialist who's telling you what the real world is about. He was there.

Now, let me go on. In the report released by the FDIC -- eight pages of what I think is the

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most incredible whitewash of Whitewatergate that I've seen. This is incredible -- incredible. And I've spoken to you just briefly before and I told you what I'm going to ask you. Page six, the bottom: "In addition, we have found no evidence that the firm had a close relationship with the S&L which might call into question its independence."

I mean, I have to tell you, given the information that your people were reporting back to Mr. O'Donnell, FDIC S&L project area coordinator, August 10th, 1989, given this incredible -- I'd say the FDIC makes an assertion that the Rose Law Firm did not maintain a close relationship with Madison Guaranty. That's incredulous in light of the fact that they had a monthly retainer with them for 15 months for several years earlier. I mean, how do you come to this conclusion?

Now let me ask you one other thing. Is it true that no documents were reviewed as part of the FDIC's internal review which was conducted by your law department? Is that true?

MR. HOVE: Let me respond to your question in the order that you gave them. You first talked about Mr. Hubbell and his relationship with the suit -- with the Frost accounting firm.

SEN. D'AMATO: Have you seen this memo?

MR. HOVE: I have not seen that memo.

SEN. D'AMATO: Let's have staff give a copy of this memo to Mr. Hove, please.

MR. HOVE: Let me respond to that.

SEN. D'AMATO: Would you like to look at that last paragraph and let me know whether or not your people, in conducting this review have seen this? It goes back to 1989. And the person who sends it says it would be naive to think that Mr. Hubbell would not pass this information on to his family.

MR. HOVE: But let me respond by saying that even if he had the issue between Mr. Ward, who is Mr. Hubbell's father-in-law, and the Madison Guaranty had been already decided, and Mr. Ward had a judgment at that time against Madison. That case was on appeal, and therefore, any information that Mr. Hubbell could obtain, even if he would obtain it, and give it to his father-in-law would not be admissible, would not be in the appeal process, even if he had had the information to give to him.

SEN. D'AMATO: Mr. Hove, did you ask you, did read page six, the bottom of your report? Because we don't have much time. So I'm going to -- it says, "We find no evidence that the firm had a close relationship with the S&L." Do you really believe that to be the case? Do you really believe that a monthly retainer that Hillary Rodham Clinton had did not establish a close relationship? Are you really suggesting that there was none?

MR. HOVE: Her relationship --

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SEN. D'AMATO: Is that credible in light of what you know? MR. HOVE: Her relationship with Madison was on an issue that was in a state agency and not with the federal government. It was not with the FDIC. And our case was not against Madison. Our case was against the Frost Law Firm -- or over the Frost accounting firm.

In addition, we find no evidence that the firm had a close relationship with the S&L, which might call into question its independence. I mean, are you serious? I mean, that is a conclusion that was made. Let me tell you, it was made by your legal department. Let's go into something else. As part of last year's RTC Act, we have an inspector general that was created in the FDIC. Was the FDIC inspector general involved in this review?

MR. FIECHTER: No, sir. The review was started at your request, if you recall. I had indicated to you in my confirmation hearing that we were undergoing a review by our legal division as to what was the policy, the conflict policy that may be in effect between the Rose law firm and the FDIC in the lawsuit that Rose was doing for the FDIC against the Frost accounting firm. SEN. D'AMATO: Let me ask you this. Do you plan to ask the inspector general's office to analyze the procedures used by the FDIC legal staff in conducting this internal review and in essence to review this matter?

MR. FIECHTER: I would do that if the committee requested that. SEN. D'AMATO: Well, I'm requesting it, and I would suggest that you didn't need -- you wouldn't need the committee to ask you to do this. I'd suggest to you that it's your job to do it. I'd suggest to you that when you have such obvious areas of conflict in this report, when you're saying that there was no close relationship, when you're suggesting that Webb Hubbell would not and was not in the position to give any information to his father-in-law, that is incredulous. And if you don't have an inspector general looking to something like this, then what do you have him for? And what do you have? You have staff people who are going to make -- who make this kind of determination?

Now, I have to tell you you will be doing yourself and the FDIC, I think, a great, great damage if you just think that you're going to let it rest on this eight pages of sophomoric, legalistic mumble jumble that doesn't hold water. And I've just looked at this report. I've seen some occasion to see it in the newspaper. This is the first time I've had an opportunity to review it personally this morning, and it's shockingly inept. Now, question. Do you intend, not by way of this committee instructing you, to put this matter, and don't you think it's appropriate that it be submitted to the inspector general? Yes or no?

MR. FIECHTER: Senator, we've been reviewing this to review our procedures, to review our procedures with conflicts, with conflicts not only with the Rose law firm but every law firm that we deal with. And our procedure is to deal not only with the actual conflicts but also to deal with the appearance of conflicts. And in this case had we done that, had we dealt with the appearance of conflicts, it is likely that the appearance would have been different -- the conclusion may have been different. But Senator, this has been several years ago. At that time we had many cases coming in to us as a result of the savings and loan failures, and the conflict, under the rules that we were dealing with at that time, did not present any conflict of interest from the Rose law firm suing the Frost accounting firm.

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SEN. D'AMATO: It's what we're doing today. Today you're saying there may be a conflict back then because they didn't have clear rules spelled out. Today you're saying there may be a conflict back then because they didn't have clear rules spelled out. Now let me tell you whether it smells today -- and it smelled then -- I don't want to get into this legalese that maybe -- I want to know if you're going to ask the inspector general to review this matter. That's a question.

MR. HOVE: I will do that if committee requests it.

SEN. D'AMATO: Well, Mr. Chairman, I would at this point in time move that we ask that this matter be reviewed by the inspector general. Now this is not going to interfere with any federal prosecution that's taking place, but it's a question of ascertaining whether or not we're getting the facts. It's a question of whether or not legal counsel has analyzed all the documents. I don't know -- I read in one news account that says that no documents were received as part of the FDIC's internal review. I don't know whether that's true or not, but that's certainly something I intend to pursue.

SEN. RIEGLE: Yeah, let me just respond to your question because the time is up and I want to stay within these time periods or we'll -- we won't be able to move any at all here in an efficient way.

Let me take your request under review. I'm not sure but what a request from a single senator may be sufficient to -- in asking for an inspector general review. I don't know without sort of looking at our past practices and precedents, but let us research that question.

SEN. D'AMATO: Let me thank you for the manner in which you've handled it, but I have to tell you something. I'm wondering why when I asked you a question, yes or no, would you undertake this -- and Mr. Hove, before you answered, the fellow behind you with the glasses who has got a lot of hair I wish I had, you know, came up and told you what to say. Now, can I ask what is your title and what is your responsibility?

MR. : The acting general counsel.

SEN. D'AMATO: You're the acting general counsel. Well, you know, sir, whether or not you're going to ask, it seems to me for this to be reviewed is a matter if you see that the propriety of this report, the integrity, the correctness of it can be substantiated. And it would seem to me that you'd want to do that.

MR. HOVE: Well, let --

SEN. D'AMATO: It would seem to me that without counsel coming to you and saying whether -- you know, you can wriggle out by saying that the committee has to ask. And I appreciate the chairman's response, I really do.

But I just want to make that observation, Mr. Hove. I find your response totally unacceptable.

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MR. HOVE: Mr. Chairman?

SEN. RIEGLE: We'll let -- I want to move ahead to Senator Kerry, who is next, and if you want to make a response, certainly --

MR. HOVE: Yes, I would like to, and first of all, all the documents, everything that we have discovered is available to the special counsel, and we will make that available to the special counsel. I will commit to you that I will ask the inspector general to undertake an investigation.

SEN. D'AMATO: Thank you. Thank you very much. And I think you have done the administration a service, yourself, the FDIC, and I applaud you for that. Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Kerry?

SEN. KERRY: Mr. Hove, you were originally appointed to your position by President Bush, weren't you?

MR. : That's correct.

SEN. KERRY: So you're a holdover from the Bush administration then. There's no special affiliation you have with President Clinton, is that correct? MR. : That's correct.

SEN. KERRY: I think it's a fair issue always as to what the level of review is, as to any institution, if it takes place. And I've certainly shared a public expression of concern about what the inspector generals have done or not done. But I would like to see, if it's going to be done, as to Madison, I really want to see it done as to Columbia and as to some of the others. I just think we ought to cover the board here.

Secondly, I want to point out the distinction here which we keep missing. And one of my colleagues earlier said if this were President Reagan who did this and it was Silverado and so forth, we'd be screaming. Those were sitting presidents who made sitting decisions regarding a policy at that moment in time that cost the taxpayers a lot of money. There is no sitting presidential decision here, there is no issue of presidential policy here. There is no issue of taxpayers being cost money by an action taken by the president of the United States at this time. This happened in 1982 and 1986, before they became president. Now, an individual died and there's an investigation into the death of that individual and what may or may not happened is a fair question with respect to the death. And that's being investigated by the first special prosecutor of an opposing party that I can think of in my public memory in public office that's been appointed. That is the clear distinction here. And it is a very real distinction. No taxpayer money, no public issue of policy, no decision of a sitting president of the United States with respect to what this committee has oversight on and is here for today.

The question is legitimate: what took place, were there relationships previously -- these are

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important as to all these banks. And it is fair for the special prosecutor to proceed on that, and it is even more important that this committee guarantee down the road that we investigate everything. I'm not sitting here saying something may not have taken place. In point of fact, there may be some indication that some folks outside of the White House may have some questions to answer. But there is no evidence whatsoever with respect to policy or taxpayer money or any decision made by the president of the United States that warrants this kind of inquiry.

Now, let me ask you, if I may, Mr. Altman, and Mr. Secretary, perhaps you can share with me, because one of our concerns is not just Madison but a whole lot of other institutions. I think 42 percent of the total losses fall in Texas alone. And there's a serious question about professional liability with respect to those institutions. I'd like to know, to date, what is the total amount of money recovered to date from directors or officers of these institutions nationally?

MR. ALTMAN(?): \$640 million, senator.

SEN. KERRY: Six hundred and forty million?

MR. ALTMAN(?): From institutions -- from institutions.

SEN. KERRY: And that's recovered through liability cases. MR. ALTMAN(?): Those are criminally related recoveries.

SEN. KERRY: What about civil? Is there any at this point? MR. ALTMAN(?): In addition to that figure I gave you, about \$745 million from civil-related recoveries.

SEN. KERRY: So we have in fact recovered to date a billion three, is that correct? It's not insignificant.

Can you break down where that has taken place? It's my understanding 42 percent of the total cost of bailout was Texas. Is there a corresponding recovery rate or any kind of rate you could give us as to where the most money came from?

MR. ALTMAN(?): I don't have information with me, senator, on state-by-state breakouts, and I don't know whether --

SEN. KERRY: Would it be possible just to get that at some point in time? MR. ALTMAN: We'll be happy to do our best to do so.

SEN. KERRY: I think it would be good to have a sense of that. It's my understanding that you were going to take a look at this question of sort of why the recovery rate may or may not have been low. Have you been able to draw any conclusions as to that? I mean, one of the things I heard is that a lot of the attorneys who came on believing that they were going to be able to engage in recovery grew so frustrated at not being able to do so in the early years that they left. I don't know if that's legitimate or if you've found other reasons, but could you

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share with the committee what, if anything, you may have discovered with respect to the recovery process?

MR. ALTMAN: As I said in my opening comments, the entire PLS area has been a troubled one, and there have been complaints from both ends of the spectrum about overzealousness and about inadequate pursuit. And we've had as GAO in its report noted a high degree of turnover and difficulty retaining -- recruiting and retaining experienced attorneys because of the temporary nature of the RTC. After all, here we are with less than two years to go.

SEN. KERRY: Currently that's true. What about in eighty -- what about in the early stage -- late -- late '80s?

MR. ALTMAN: Well, of course, the RTC has always been intended to be a temporary agency, and I'd just refer you to the GAO report which concluded that that was a particular problem. And as I've mentioned, we've made a series of efforts to strengthen that, the most important of which is to hire a very good and very strong general counsel.

When we inherited responsibility for the RTC, despite its being such a large institution -- as I said, larger than almost any private financial institution in the country -- it didn't have a full-time general counsel. And that's a very important step we took. We've also got more PLS attorneys on board today than ever before in the history of the organization. So we're making every effort to try to fulfill all the responsibilities we have in this area. I don't think there's any way to know, senator -- or if there is, I don't know -- whether -- or what percentage of recoveries that have been made compared to the potential that an ideal effort, a perfect effort would have obtained. I don't -- I don't know the answer to that.

SEN. KERRY: Okay. My time is up. Thank you very much, Mr. Chairman.

SEN. RIEGLE: Thank you much, Senator Kerry.
Senator Bond is next.

SEN. CHRISTOPHER S. BOND (R-MO): Thank you very much, Mr. Chairman. Mr. Altman, are there special measures taken when in the resolution of a failed thrift you find it to be affiliated with a high profile individual? Someone in government, for example?

MR. ALTMAN: The procedures, Senator, which the RTC follows are intended to be identical in each case, and they certainly have been identical in the case discussed this morning.

SEN. BOND: After you discovered that the president of the United States's name might be mentioned in a criminal referral being made by your agency, did you take any steps to ensure that documents created in the case were protected and preserved?

MR. ALTMAN: When the possibility of a criminal referral was brought to me, I took one step, and that was to instruct all the relevant RTC personnel to handle any judgments about criminal referral in the same exact fashion that they would be handled in any other PLS matter, no deviation whatsoever. As far as documents are concerned, the same thing.

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SEN. BOND: You instructed them to handle the documents in the same way? MR.

ALTMAN: That's correct.

SEN. BOND: Were there any instructions received by you or to, your knowledge, anyone in your agency from the Department of Justice, the White House or special counsel with respect to the retention of documents?

MR. ALTMAN: To the best of my knowledge, and I believe I know this, there were no requests or conversations with the White House whatsoever on that. With regard to Justice and the special counsel, I'm advised there have been conversations, the essence of which is that each party reminding the other not to take steps or release information which could jeopardize either party's investigation.

SEN. BOND: Given the facts I set out in my opening statement, we are concerned about whether all the documents are there, can you assure the committee that no one has issued any instructions to you or your agency to retrieve, relocate, destroy or tamper with any documents dealing with Madison, its affiliated enterprises, directors, owners or business partners?

MR. ALTMAN: I have no knowledge whatsoever of any such effort. SEN. BOND: Has anyone in your agency, specifically the Department of Records Management, indicated to you there are any missing documents? Or has anybody discovered any files missing or unaccounted for?

MR. ALTMAN: No.

SEN. BOND: You are absolutely sure that --

MR. ALTMAN: No, your question was: Has anybody indicated to me. SEN. BOND: All right.

MR. ALTMAN: The answer is no.

SEN. BOND: Would you inquire of your records management agency whether they have either, A, been given instructions about the handling of documents from somebody outside or if they have found any evidence of missing documents or find that there are documents apparently missing? If you would inquire of that and advise us if you do find that there is such information?

SEN. RIEGLE: I think the stenographer should note that he's nodding in the affirmative.

MR. HOVE: Yes.

SEN. BOND: Finally, will the RTC release copies of the initial September 1992 referral to the Department of Justice and copies of the second referral on October '93?

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MR. HOVE: Senator, we're not in a position to release any documents that could have a negative impact on the investigation. I don't think you would want us to do that. And documents of that type that you're talking about fall into that category.

SEN. BOND: Allegations were made by Susan McDougal that many of the Whitewater files were actually delivered to Mrs. Clinton in 1987. What steps have been taken by your agency to recover those files or to ascertain where those files might exist?

MR. HOVE: I have no knowledge of that matter.

SEN. BOND: Have you heard of the allegation?

MR. HOVE: Actually, no.

SEN. BOND: Mr. Altman, I know there's many aspects to it. I was just reading one of the stories appearing in Commentary which referred to those allegations. We don't know if they are true or not, but I would suggest that someone should make inquiry to ascertain whether there is any truth to the allegations and if so, to take appropriate steps to recover such documents. Finally, where are the documents being kept, and have they been thoroughly catalogued?

MR. ALTMAN (?): Well, I can assure you that all proper procedures relative to safeguarding of documents are being followed. We also have a responsibility in regard to any case to obtain all the necessary materials for purposes of making a litigation decision. So any documents that the legal staff at the RTC believes would pertain -- would help it reach a conclusion on a litigation decision, in this or any other matter, it makes a maximum effort to obtain.

SEN. BOND: But that -- you have no knowledge of the specific question I asked about the records potentially in the possession of Mrs. Clinton? MR. HOVE (?): None whatsoever.

SEN. BOND: Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Boxer?

SEN. BARBARA BOXER (D-CA): Thank you, Mr. Chairman. I want to pick up on where Senator D'Amato left off with Mr. Howe.

Mr. Howe, as a Bush appointee, you were familiar, obviously, with the laws in those days regarding conflicts of interest, and you said that at that time there had to be a direct conflict of interest. And the appearance of a conflict of interest now is considered important, but at that time, that's not the way things were done. Is that correct?

MR. HOWE: That is correct, Senator.

SEN. BOXER: So the law was strengthened, and now you have to look at the appearance of a conflict of interest.

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MR. HOWE: It's not a law, it's a procedure that we have at the FDIC. SEN. BOXER: All right.

MR. HOWE: And at that time, we were looking only at the conflict of interest. Now we look not only at the conflict but also at the appearance of any conflict. SEN. BOXER: Right. Well, Mr. Chairman, I think this is a very important point. And what I would like to suggest is this; my colleague, Senator D'Amato, is very interested in this one particular S&L, which as I understand it, on the list of failures is the 194th largest in the country. I'm also interested in seeing if there were conflicts when lawyers were hired in some of the bigger closures. For example, there were, as I understand it, 14 S&L failures that cost the taxpayers more than one billion [dollars] each. Of these mega failures, six were located in Texas, two in California, two in Arizona, one in New Jersey, one New York, one Florida and one Pennsylvania. And I would like to ask you -- and since I think the chairman said a senator can make a request -- that in these mega failures, these six, I would like you to go back and take a look at the law firms that we used at that time to see if there were conflicts of interest and have a -- and at the same time that you issue this to Senator D'Amato, I would very much appreciate knowing that because I do have a big concern about the scams that were going on at that time.

MR. HOWE: Senator, many of these cases probably were the RTC cases and not the FDIC. The reason that we had this case was that we inherited the FSLIC cases in late 1988 or early 1989. This one came to us at a window of time prior to RTC's being created. So I think that your request might better be directed toward the RTC.

SEN. BOXER: Well then I will make that request to the RTC and ask that we have that report. Would I make that to Mr. Altman or Secretary Bentsen? Mr. Chairman, who do you think would be the appropriate party?

SEN. RIEGLE: Well, they both are hearing it, so --

SEN. BOXER: All right. Well, I will assume that will be done because, as I say, what I find most incredible is that there's this outrage directed at one particular situation, and it's so obvious why. You know, Mr. Chairman, I just want to say this, if I might -- I'll get back. I just have to say this, if I might. We all bring our experiences to the table, to our committees, to our work. And as I sat through this, I had the sense that this reminded me of something, the dynamics here, and it comes back to my being a mother and my experience in raising two kids, and when they wanted something, they made a pretty strong case.

And if they really wanted something, they stamped their feet. And if I gave them what they wanted, I expected them to be happy because I acceded to their request. And if they kept on stamping their feet, I'd tell them, "You're unreasonable." And if they kept it up, I'd take further action. But I think what I see going on here is that there was a demand for the best and most impartial person to look at a situation that obviously had a lot of political overtones, and in an attempt to handle it fairly, that request was granted, and we don't know the end result.

But what I see happening here, Mr. Chairman, is that people are still stamping their feet as if

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nothing's been done. Something very important has been done. A lease has been taken on offices for something like four years. Eight attorneys are looking at this whole situation. Every question that's been asked by my colleagues is being looked at, not by a Democratic prosecutor, as Senator Kerry has pointed out, but by a Republican prosecutor, and someone who I believe has the faith of the American people, if not some of the senators here today, who seem to want to interfere in that investigation.

SEN. RIEGLE: Senator Boxer, I might just say, you may or may not have seen this in this morning's Washington Post, but there have been 25 FBI agents assigned to work with the special counsel, in addition to that legal staff that you cite.

SEN. BOXER: Yes. And, Mr. Chairman, I have to say that gives me great comfort. As much as I respect my colleagues' skill at questioning and badgering, I'd rather have this matter handled by someone who is so well-respected, cannot be accused of partisanship, as my colleagues on the Republican side here could be or I could be or Senator Kerry could be. So let's stop stamping our feet, and let's say this is good, that this investigation is going forward. And I really do have faith that we will find out what the problems were. And we don't know where it all will lead, but I don't think that turning this hearing into a browbeating of witnesses here does any good here at all.

I have some written questions I would like to submit, but I would have to say overall I am pleased with the report that we're getting. It seems to me we're moving along, perhaps, hopefully, under budget, moving forward with women and minorities and the things that many of us care about, and going after these crooks. Thank you.

SEN. RIEGLE: Do you want to say something? Otherwise I'm going here. MR. ALTMAN (?): No, no. I just wanted to note to Senator Boxer that we would respond to that question that you earlier asked.

SEN. BOXER: Thank you. I really look forward to seeing that for those six institutions. Thank you.

SEN. RIEGLE: Thank you.
Senator Bennett.

SEC. BENTSEN: Mr. Chairman, if I might --

SEN. RIEGLE: Uh, excuse me.

SEC. BENTSEN: (Off mike) -- my responsibilities as secretary of the treasury to deal in oversight, and I'm specifically precluded from intervening in individual cases. That's the responsibility of the RTC.

SEN. BOXER: But the RTC will do that. Thank you.

SEN. RIEGLE: Senator Bennett.

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SEN. ROBERT F. BENNETT (R-UT): Thank you, Mr. Chairman. I agree with Senator Boxer: we all bring our personal experiences to this. I will try to stop stamping my feet. (Laughter.) I think that's an appropriate response, but --

SEN. BOXER: You've just been tapping your toe. (Laughter.)

SEN. BENNETT: I've just been tapping my toe. I must, however, out of my own experience share with you the number of times that I as a loyal Republican went to the White House in the Nixon administration and kept saying "You have got to get this out. You have got to find out who is behind this and tell the truth." And I kept getting told "This is a third-rate burglary that nobody cares about." I'm sure on a list of breaking and entering -- (laughs) -- this would have -- the Watergate breaking and entering would have been considered very, very minor. And people kept saying to me, "No, no, it'll all blow over." Well, it was members of your party, Senator Boxer, who kept stamping their feet and kept the thing up. A special prosecutor was appointed who in my recollection was a Democrat. I think Mr. Cox did not have very good Republican credentials when he was appointed to that circumstance.

SEN. KERRY: He was a Republican. One of the good ones from Massachusetts, but he was a Republican. (Laughter.)

SEN. BENNETT: He was a Republican? Well, I knew his law partner. He was a Democrat. We need not beat this further, but I do hope everybody understands that when there is an allegation of wrong-doing the smartest thing any politician can do is get all the facts out on the table. I've tried to do that. When I've been accused of making mistakes, I've discovered that the very best thing you can do politically is not try to cover it up, and that's the only advice I give my friends in this circumstance, having lived through the Watergate thing on the other side of it.

SEN. KERRY (?): Can I just take 30 seconds to say to my colleague that's exactly what we did. Senator Moynihan, national television, Senator Bradley, Senator Bob Kerrey, myself and others said appoint a special prosecutor, and indeed, the White House turned around and did it while the president was in Europe.

SEN. BENNETT: I understand all that, but I also understand that the stamping of the feet that went on prior to that probably had something to do with that decision. I don't think it was entirely sound public policy on the minds of the people on the other side.

Let's get back to the RTC if I can. I do want you to refer carefully to the article that I put in my opening statement. You've talked a great deal about minorities and women, and I yield to no one in my desire to see to it that there is fairness done.

The allegations that were made by the gentleman from Denver, however, is that there is serious reverse discrimination going on in the RTC, and that anyone who does not fall in that category cannot get a job and cannot get a promotion. And if that is true, that is something I think you should pay attention to. So I would ask you to review that.

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Now, make reference to continuing sales, and again, this is a personal circumstance. I've had a number of people come to me in Utah and say here is a marvelous investment opportunity to pick up at fire sale prices properties that can be enormously valuable. I have decided finally to divorce myself from having to make any investment decisions, and I put all of my assets in a managed trust and trust the trustees of that trust to make those kinds of decisions. But I said to them I cannot personally invest in this because I sit on the Banking Committee and it's involved in oversight of the RTC and these are RTC properties.

But I did, prior to creating the managed trust for my assets, go through the process of looking at them, and as a businessman, I can say you really are moving them very rapidly because it struck me that some of the prices were indeed unduly low and that the RTC could in fact have gotten a better price almost as quickly if not just as quickly as they were getting for some of these properties. Do you have a sense on that issue? I'm not accusing you of anything, I simply want you to talk about it.

MR. ALTMAN: Well, first of all, Senator, we have a statutory responsibility to maximize recovery for the taxpayer, so we must pursue sale techniques which respond to that goal. Second, all RTC assets, for practical purposes, are sold at auction, auction of one kind or another. So rather by definition, the market -- the price which the market establishes on that day is the price. It's always possible to look back on any transaction and say you should have done it later or you should have done it earlier, but fundamentally all of our sales are on an auction-style basis. I think the only other point I would make is that we're now in -- we now -- our inventory today is of the harder-to-sell variety as we're getting down toward the end. So our recovery rates, as I mentioned in my statement, are lower. I think last year we recovered at a rate of 76 percent of book value, and this year it'll be in the mid sixties. The character --

SEN. BENNETT: Let me just go back to your earlier statement. I understand what you're saying here, and I don't want to be argumentative about it. One instance, we were told -- or I was told that while it was technically an auction, the RTC had determined the price and that, if I would simply submit a bid for this price, I would be guaranteed to get it, that the RTC would not entertain any other requests. And I turned it down, as I say, for the reasons I've described, although I'll say to my colleagues, the ethics committee told me I need not have done that. I could have made the investment. I decided to avoid the stamping of feet later on in some future campaign in Utah. I would not run the risk. But it was my understanding that the people who did ultimately pick up the property did it for the price that we were told was the price. And we were told, "Yes, this is technically an auction; there will be a sealed bid, but this is the sealed bid we want and if you submit it at that price we can guarantee that you will get it."

MR. ALTMAN: I'd like to make points. The first is -- that's not how it's supposed to work, and if it worked that way -- just taking your comments in their entirety -- it should not have. Second, the RTC does reserve the right to reject bids and to establish in effect reserve prices or floors. So, it isn't the case -- it isn't always the case that whatever the high bid is it's accepted. But, there should never be an auction where any such indication, any such knowledge is provided beforehand; if it was, it was a mistake and shouldn't have happened.

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SEN. BENNETT: I'll just assume that it was a mistake in a particular circumstance, and I'm grateful to you for your response.

SEN. RIEGLE: Well, and perhaps a look could be taken at what may have been going on there, because that's not -- you know, let's not have it happen again. Senator Sarbanes was not given a chance, was not here in the sequence to give an opening statement, and has asked to do so and I'm going to acknowledge that as I do with everyone. And then after he's done that, we'll start his time clock on questions. Senator Sarbanes.

SEN. PAUL SARBANES (D-MD): Mr. Chairman, I'll be brief. I don't want to impose on my colleagues, but I can't forego the opportunity with Chairman Greenspan here before us not to talk about interest rates just briefly, since I think they're so essentially involved with where the economy may be going. And I just want to -- I want to make a statement about that. I've met with the chairman from time to time, both privately and of course in public sessions, and I've raised with him the concern that a hike in short-term rates would raise long-term rates. The chairman's position has been, as I understand it, that when short-term rates go up long-term rates would initially rise but that within a few weeks or so they would settle back down to a level near where they had been when short-term rates were raised. We then contacted the Fed for the analysis that in effect was the underpinning for this statement. We've had difficulty getting that analysis, but it's finally been forthcoming. And as the Fed says, and I quote, the Fed staff, "As you have noted, short- and long-term rates do tend to move together." They then go on to make a rather subtle argument that to the extent that the Fed is ahead of the curve the response of long-term rates is less than when the Fed is moving too little too late, in responding to a build-up of inflationary pressure. So in a sense, they're shifting, as I understand it, the position that was asserted to me by the chairman.

On the morning of February 4th when the Federal Open Market Committee raised the Fed fund rates from 3 to 3-1/4 percent, the 30-year bond rate stood at 6.30 percent -- 6.30. Since that time, long-term rates have risen steadily. As of the close of business yesterday, the 30-year bond rate was 6.65 percent. Thus, since Fed funds were raised, long-term rates have risen by 35 basis points; in other words, more than the 25-basis-point increase in short-term rates. Now last summer at a hearing with Henry Kauffman (sp) and Paul Samuelson (sp), copies of which testimony were sent to the Fed and with a request that it be distributed to members of the Open Market Committee -- Henry Kauffman (sp) argued that raising short-term rates could lead to higher long-term rates; in other words, the contrary of this position that was asserted that if you take up short-term rates, you can bring down long-term rates. And I quote Kauffman (sp). "I also take issue with the assertion that a small increase in the Fed fund rate this summer would be welcome by the financial markets and would accordingly lead to a decline in bond yields. Perhaps. But equally likely is that the bond market would interpret such a rise in the federal funds rate as the first of a number of future increases, and market participants might easily react by pushing bond yields higher. Under that scenario, the rise in the federal funds rate could magnify inflationary expectations, precipitating a sell-off of bonds."

Now just today, Hobart Rowen, one of our nation's most perceptive economic commentators, has an article in the Washington Post headed, "The Fed Meddles," and I just want to quote

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from it briefly. "As it has many times in the past, the Federal Reserve Board is taking the country down the wrong road by raising interest rates. It has violated the dictum, 'If it ain't broke, don't fix it,' and as a consequence, the smooth recovery from recession that has cheered business and consumers over the past year is being threatened. "Fed Chairman Alan Greenspan told the Joint Economic Committee in widely analyzed testimony January 31 that the central bank, which had allowed interest rates to fall to record lows, would not change policy to slow economic growth. But four days later, on February 4th, the Fed raised short-term interest rates by one-quarter of a point in a, quote, 'preemptive strike,' unquote, against future inflation. To make sure there was no doubt in the markets that the Fed had decided to interrupt the easy money pattern, Greenspan publicly announced the move. "In new testimony this week, Greenspan failed to justify the Fed's action. He admitted that there was no discernible inflation, that wages are not moving up, that there is virtually no fear the economy is growing fast enough to make overheating a danger."

Now, the whole problem here -- and I -- this is to close this statement, and then I have just a couple of questions to put to Mr. Altman. I won't take anywhere near my question time because I -- is all -- it's all encapsulated in this -- in this cartoon, which shows this truck moving down the road. It says "Economy". And the economy has been moving down the road, and we all want to see that. The driver here has got his hands up to his head in horror. He's slamming on the brakes. As you can see, "Brake. Screech," bringing this truck labeled "The Economy" to a halt. And the reason he's doing it is because out here in the middle of the street is a man labelled "Greenspan". (Laughter.) And he's bending over here. He's out in the middle of the road out in front of the truck, obviously forcing it to come to a screeching halt. He's bending over to pick up these papers here that say "Interest Rates." And he's saying, "Let's see, we'll just pick these up."

Now --

MR. GREENSPAN: You know, senator, I pulled a muscle in my back and I now just realize how I did it. (Laughter.)

SEN. SARBANES: Well, I'm glad we found the explanation for it, Mr. Chairman. SEN.

KERRY: You know, Mr. Chairman, if you say something really interesting now about interest rates you could functionally terminate this hearing and relieve us all. (Laughter.)

SEN. SARBANES: Mr. Chairman, I know that's not the focus of today's hearings, but I think this matter is of such importance. The Fed, of course, is urging the Congress to stay the course on fiscal policy. I happen to agree with that. I think we ought to stay within the constraints of the agreement that was reached last year, and I expect that we will. But by the same token, it's my own view that the Fed should have stayed the course on monetary policy, certainly until we had greater assurances that real growth was taking place in some lasting and permanent way and some evidence that one can look to that indicates that we're beginning to get some kind of inflationary problem. Now, Mr. Altman, I just want to put a couple of questions to you. Earlier you were questioned by one of my colleagues on the other side who went through a list of -- (laughs) -- sort of "Have you stopped beating your wife" type questions, I thought. And so let me try to turn it around and get -- I want to be sure.

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Do I understand that the cases to which they're making such reference were handled in the same way that all other cases were handled -- in other words, according to regular procedures?

MR. ALTMAN: Senator, the instructions that I gave were that all procedures, normal procedures should be followed in this matter without any deviation. SEN. SARBANES: And to your knowledge, that's -- I mean, to the best of your knowledge that's the case. Is that correct?

MR. ALTMAN: Yes.

SEN. SARBANES: Mr. --

MR. ALTMAN: Of course, I'm commenting as to the handling of the case under my responsibility. I'm not making a comment about matters that I have no knowledge of of three or four years ago.

SEN. SARBANES: Oh, I understand that, but as I understood the questions that were put to you, it was with respect to your own responsibilities. I don't how you could be expected to assume the responsibilities of others, so to speak. Mr. Chairman, I just have one comment about the constant reference here to Madison and Whitewater and so forth. And that is that, you know, an independent counsel has now been selected. I read the transcript of his press conference with the Attorney General when it was announced. Actually, as I understand it, or as he said, he defined the scope of the investigation. In fact, he says, "I'm totally satisfied that I will have the independence and complete authority to do this job right." And then the resolution by which his jurisdiction is defined, this is Robert Fiske now I'm talking about; "This resolution has been deliberately drafted broadly. It was drafted by me to give me the total authority to look into all appropriate matters relating to the events that bring us all here today." And he then goes on to specify that.

Now, of course, I think Fiske is regarded highly. In fact, Senator D'Amato called him "a man of unflinching and uncompromising integrity. He's the kind of person who will bring out the truth for the American people so there will be no question as to the thoroughness and objectivity of this investigation." I don't differ with that evaluation, I say to my distinguished colleague from New York, from what I know about Mr. Fiske and what's been told to me about him. So I think that's an accurate evaluation of him. Now, the other point I want to address is, he was asked in that conference, "Do you think that a congressional hearing of any kind at this point might hamper your investigation?" This was a question put to Fiske by a -- at that press conference when he assumed his responsibilities. And this was his response, and I quote him -- this is now Robert Fiske I'm quoting, the independent counsel: "I think the history of these situations is that it is difficult to conduct this kind of investigation at the same time a congressional investigation is going on. The decision whether to have such an investigation obviously is not mine, but I think just looking back at the past, we can all see that that is not an easy relationship." End of quote.

And I just wanted to put that on the record, because I think it's very important to understand

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that, you know, an independent counsel now has been selected. The independent counsel has been given a grant of authority -- actually, according to his own testimony, he defined, in effect, the grant of authority. I haven't quoted it, but the attorney general is very clear here in her statements that he has a full scope to proceed as he deems necessary and to call upon any resources that he thinks are advisable. And it seems to me that, you know, we've put the matter where it ought to be put.

Now, there was some delay in getting to that point. I understand that. But that's the point we are at now, and it seems to me that that is -- ought to be reassuring to the American people that this matter will be looked into thoroughly and comprehensively and that Mr. Fiske and his associates -- and he's now in the process of putting together, I understand, a rather large and first-rate staff -- will get to the bottom of this matter. And I think it's very important that that be put on the record.

I thank the chairman.

SEN. RIEGLE: Thank you, Senator Sarbanes.

I made reference earlier -- I'd just take one moment before calling on Senator Faircloth. I made reference earlier to the actual legal charter of independent Special Counsel Fiske which is published in the Federal Register on Friday, February 4th, and I've read it. And it's really quite a -- I just hold it up here, and we'll put it in the record so that it's there in the context of this discussion. But this is about as broad and as firm a legal mandate as anyone could have. And I notice here that under the Department of Justice the action to accord him that kind of operating latitude was in the form of a final rule. So this locks it in. I mean, this independent counsel, I think highly regarded across this board -- from Senator D'Amato's comments to others that have been made by other people who know him well -- has the authority to go anywhere he thinks it necessary to go. And I again make reference to that article today in The Washington Post, because he's obviously setting up subsidiary investigative efforts, where he's putting together teams to go down each and every issue so that there are no questions left at the end of his work. In any event, I urge my colleagues to take a look at this, because I think it is instructive. Senator Faircloth.

SEN. LAUCH FAIRCLOTH (R-NC): Thank you, Mr. Chairman. And I want to thank you for the manner in which you've conducted the hearing. It hasn't been easy. I had one or two quick one-liners, and then I had some questions. (Laughter.) One of them is in sympathy with Mr. Altman. I bought and sold many a piece of land in my life. I never bought one that somebody didn't tell me I paid way too much for it, and I've never sold one that somebody didn't come immediately and tell me I should have gotten a lot more. But I survived. MR.

ALTMAN: You probably did very well.

SEN. FAIRCLOTH: Chairman Greenspan, I think -- two things. If we get nothing else out of all of this conversation, I believe it will demonstrate to the American people, and maybe to the Congress as a whole, that we need to keep the Federal Reserve, the Comptroller of the Currency, the Office of Thrift Supervision and the FDIC as separate entities, and it's well spent money to have them separate by the taxpayers' money to keep it as it is and not be consolidating it into a political position. I hope that's it. As Senator Sarbanes mentioned on

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your increase in interest rates and inflation, I have observed over the years that inflation is somewhat like Alzheimer's disease; you've had it three or four years before you find out you really have it. And inflation moves before we -- it goes underground a long time. So I think you're absolutely right in increasing rates in anticipation of what might happen. I have found that inflation -- a recession will scare you -- in business, a recession will scare you to death, but inflation will kill you. And I have a question for Mr. Hove.

Mr. Hove, it's my understanding that Webster Hubbell, in his current position as associate attorney general, and in his words, "chief operating officer" at the Justice Department, has formally recused himself from matters regarding Madison Guaranty. Would you agree with me that it would be improper for Mr. Hubbell to seek to involve himself in the FDIC investigation beyond what he was asked by the Legal Division? And if you will -- since that light is looking at me -- I'd like yes or no answers, if you would.

MR. HOVE: I think the issue of Mr. Hubbell recusing himself is an issue that Mr. Hubbell has to deal with.

SEN. FAIRCLOTH: Fine. Have you had any communication with Webster Hubbell concerning the Legal Division's report?

MR. HOVE: I have not.

SEN. FAIRCLOTH: Are you aware of any communication between Webster Hubbell and an FDIC official in the general counsel's office regarding Mr. Hubbell's role in the Legal Division's then-pending investigation and report? MR. HOVE: Yes, sir. Legal Division has had conversations with Mr. Hubbell. SEN. FAIRCLOTH: Are you aware of any communication between an official in the general counsel's office in Washington and the FDIC official in the Kansas City, Missouri field office regarding Webster Hubbell's role in the then-pending investigation and report?

MR. HOVE: No, I'm not aware of that.

SEN. FAIRCLOTH: Would you be willing to let the general counsel's office release their telephone records for the week of January the 24th through January the 31st?

MR. HOVE: Senator, we're willing to release any non-confidential information that would be generally available to the public. As you might know, many of these things would be privacy concerns and we would be concerned about releasing those without redacting some.

SEN. FAIRCLOTH: So you would not release them?

MR. HOVE: No, sir, we will release them, we will release any non-confidential --

SEN. FAIRCLOTH: All right, that's -- who decides whether it's confidential or not?

MR. HOVE: Well, does it include -- does it deal with privacy of the individual. SEN.

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FAIRCLOTH: Well yes it does, but we need -- yeah, sure it does. That's what we want them for. (Laughter.) Will you?

MR. HOVE: We'll release anything that is publicly available, yes, sir. SEN. FAIRCLOTH: Well, it's not publicly available or we wouldn't be asking for it to be released. If it were in the want ad section, I'd have gone there to get it.

MR. HOVE: Yeah, we have log of everyone that we've contacted, everyone we've talked to on the phone, and we'll release that.

SEN. FAIRCLOTH: All right. Okay, that's what we need.

I see in the Wall Street Journal and the Chicago Tribune, and it's generally out, that you found no conflict of interest between Ms. Clinton and her work in the Dan Lassiter (sp) and First American Savings and Loan, that you find her completely innocent.

MR. HOVE: Senator, let me talk about that issue because that was not an FDIC issue, and that was not an investigation or a review that the FDIC has done. That was an issue that happened before FDIC ever became involved. That was an issue between the old FSLIC -- the old Federal Savings and Loan Insurance Corporation and the failed savings and loan, First American in Illinois. They had filed the suit against Lassiter (sp). They had settled that suit before FDIC ever became involved in that. It was an issue that had happened way before FDIC ever became involved in it.

We have not reviewed that. We have looked at --

SEN. FAIRCLOTH: May I ask one quick question?

MR. HOVE: Yes.

SEN. FAIRCLOTH: Who settled it? Ms. Clinton and Foster? Is that -- it was settled -- you say it was settled. It was settled by Ms. Clinton and Foster. MR. HOVE: I'm not sure that it was settled by Mrs. Clinton. Mrs. Clinton's involvement was to sign an amended complaint for Mr. Foster that amended the complaint from the savings and loan against Lassiter (sp). That was her only involvement in that case.

SEN. FAIRCLOTH: All right, go ahead. I'm sorry, I interrupted you. MR. HOVE: That case was settled over six years ago by the conservator. The conservator for that savings and loan had hired a law firm in Chicago. The law firm in Chicago subcontracted the Rose law firm to work on this case for them as the conservator. The lawsuit was settled before we ever got it, and normally these facts would not trigger an investigation for us, but because of the increasing public interest -- and if you choose, we will conduct an IG investigation to determine that -- but again, the records are scattered all over because it's the old FSLIC records and they were not compiled in any one location. So it's a very difficult issue. It -- there's no single repository of these records. And we'd be willing to assist your staff in locating any of these records that may be available and to make some determination as to what the involvement was.

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SEN. FAIRCLOTH: So this clearing of Ms. Clinton in any involvement with the American Savings and Loan and Dan Lassiter (sp) was done by the FDIC, it was done by the --

MR. HOVE: We have not cleared it. The only contact we've had on the First American Savings and Loan and the Lassiter (sp) case was a press contact that came as a result of an article that appeared first in the Chicago Tribune, and we responded to that saying exactly what I've told you, that this was not an FDIC issue, that it was in fact a FSLIC issue that occurred before FDIC ever became involved in any FSLIC issue.

The issue was settled, the settlement was made before FDIC ever became involved in this issue.

SEN. FAIRCLOTH: All right, so -- but the -- would the statute run on it, could it be opened by the special counsel?

MR. : I haven't any idea. That's a question I guess I'd have to ask my attorney.

SEN. FAIRCLOTH: Ask him.

MR. : (Confers.) I don't know.

MR. : I have no idea either.

MR. : We don't have enough records at this stage to know -- SEN. FAIRCLOTH: Thank you.

SEN. RIEGLE: Although I'll repeat again, and you'll read it from this Federal Registry (sic): "The independent special counsel has two authorities. One authority is for criminal prosecutions. The other authority is to proceed with civil actions."

Now, the civil authority doesn't relieve any other regulatory body of whatever civil action they might appropriately take. But the point is, the special counsel has the specific grant of authority to proceed down both tracks. And it's laid out four different times in this charter of responsibility, and it's a very important point.

SEN. D'AMATO: Will the chairman yield? Just on that point, because to be quite candid with you, until the chairman read the grant of authority, I was given to believe that the special counsel would confine himself to the criminal side. I'm not suggesting to you that the grant may not give him broader powers. I would think it would behoove us, and I'm not attempting to get the exact language determined now, but if we could not, send a letter from this committee and ascertain, indeed, will he undertake the review of various civil matters, such as the one brought up as it relates to this last matter that Senator Faircloth brought up, and there are some others. I think that would at least set the record straight and we might want to put that to him and, again, have our counsel work together to put forth the appropriate question. But I think we should determine, indeed, is that the case.

Secondly, I make a quick point, and I beg the indulgence of my colleagues, by stating, I think that if you notice, at least where I have been attempting to take this, and I think some of my

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colleagues, we're attempting to ascertain what if anything did the RTC, did the FDIC, do in connection with these matters. That is not at variance with the charge of the special counsel. We are not, in attempting to find out what was done and what wasn't done, in any way disturbing his investigation. I think we have an absolute right to know what was done. We have an absolute right to know the appropriateness of the action, so --

SEN. BOXER: Can I have a point of procedure? Whose time are we on? I just was -- I've lost track.

SEN. D'AMATO: Well, I'm going to do it one way or the other.

SEN. BOXER: Well, I don't have any objection to your doing it. I'm just confused. Is this Mr. Faircloth's time that you're on? Or is this added time, so we can all get added time?

SEN. D'AMATO: I asked the chairman if he would indulge me so I could --

SEN. RIEGLE: He asked the indulgence of the chair and I'm going to let him finish his point.

SEN. BOXER: Okay, fine.

SEN. RIEGLE: And then we'll move to the next person here.

SEN. BOXER: I was just checking.

SEN. D'AMATO: So, again, this is not an attempt to do anything other than to see what has been done to date by those various agencies that have the collective and the individual responsibility to deal with these matters. That's one. And secondly, it would seem to me that it might clarify the issue -- certainly I was led to believe, and maybe incorrectly so, that the special counsel was not going to look into civil matters. I think it's important for us to ascertain that.

And so I put that to the chairman that possibly we review that matter. I'm not looking for an answer at this time --

SEN. RIEGLE: Well, I'm going to just -- I'm going to take a minute and just read it into the record because I don't want it to be --

SEN. D'AMATO: No --

SEN. RIEGLE: I know, but it's important, and the words are on paper, and this is the official charter. And I'm going to read from page 5221 of the Federal Registry of February the 4th of this year, and I'm going to just read three or four different lines here that appear in different places, and here's the first one: "The attorney general has appointed this independent counsel to investigate whether any individuals or entities have committed a violation of any federal law or civil law." And then it goes on in that vein. And then over on the next page it says again "... have committed a violation of any federal criminal or civil law relating to ..." And

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then again it says "... any violation of any federal law or civil law." And it says it one more time further on down the line here.

So it's clear -- my interpretation of this is that this does not relieve any regulatory body of any proper actionable efforts that it should properly undertake and determine to undertake, but it says that the special counsel clearly has the authority to move down both tracks if in his judgment he should find that that is warranted. And it's a very important fact.

SEN. DOMENICI: Mr. Chairman --

SEN. RIEGLE: Senator Domenici, let me just say the time -- we're at the point now where either you or Senator Gramm will get to ask questions, and you -- you're both here, and I don't know if either of you have a -- one will follow the other, but will either of you have a time problem as to who goes first?

SEN. DOMENICI: Well, I just wanted to ask you with -- on that question on your charter interpretation there, or reading --

SEN. RIEGLE: It's not an interpretation, it's what -- it's the final rule that was laid down on the --

SEN. DOMENICI: Well, what is -- what is the special prosecutor supposed to do if he finds civil law violations?

SEN. RIEGLE: He has the full legal empowerment to take whatever actions he deems necessary -- and all the investigative and prosecutorial authority to do so. I mean, this is an absolute charter.

SEN. DOMENICI: We'll -- we'll -- thank you very much for that.

SEN. RIEGLE: You can take a look at it.

SEN. DOMENICI: Senator Gramm, I have a little bit of time, although I'm late for some events. But if you want to go, I'll let you go and I'll follow. It -- Will there be another one from the other side that has not inquired yet?

SEN. RIEGLE: No. You are the last two that have a chance to question, so --

SEN. DOMENICI: Well, go ahead. Could you keep it brief, senator? Short?

SEN. RIEGLE: -- and then we'll go back and forth, senator. SEN. : No.

SEN. DOMENICI: No? (Laughter.)

SEN. RIEGLE: Senator Gramm.

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SEN. PHIL GRAMM (R-TX): You want to go ahead?

SEN. DOMENICI: No, you go. You got the time clock right there.

SEN. GRAMM: Let me begin. I've just got a simple question that I want to ask of most of the members of the panel, and let me just read it. Mr. Altman, I want to ask you first. Have you or any member of your staff had any communication with the president, the first lady, or any of their representatives, including their legal counsel or any member of their White House staff, concerning Whitewater or the Madison Savings and Loan?

MR. ALTMAN: I've had one substantive contact with White House staff, and I want to tell you about it.

SEN. GRAMM: Okay, let me, if I may, just -- given that "yes" I'd like to know what the substance of the communication was, when it occurred, who initiated it, and what you were asked to do.

MR. ALTMAN: Right. First of all, I initiated it. About three weeks ago, Jean Hanson, who is Treasury's general counsel, and I requested a meeting with Mr. Nussbaum -- he's the White House counsel.

The purpose of that meeting was to describe the procedural reasons for the then impending February 28th deadline as far as the then statute of limitations was concerned. I'm sure you know that that statute of limitations has subsequently been retroactively reinstated for certain types of civil claims. And we explained the process which the RTC would follow in reaching a decision before that February 8th deadline, that it would be exactly identical to procedures used in any other cases, any other PLS case, and that the RTC fundamentally would come to a conclusion as to whether or not there existed the basis for a claim or whether there didn't. And in the event that the basis for a claim existed, then it would pursue either a tolling agreement, which is the equivalent of a voluntary extension of the statute of limitations from the parties at interest, or it would file that claim in court. That was the whole conversation. I was asked one question. That was question was whether we intended to provide the same briefing to attorneys for the parties at interest. I said I assumed so, went back -- (inaudible) -- and checked with the RTC general counsel. The answer was in due course. I said fine. That was it. I have not had any contact with the president of the United States or the first lady on any matter like this.

SEN. GRAMM: If I may, let me pose the same question to Mr. Hove. Have you or any member of your staff had any communication --

SEN. RIEGLE: Mr. Hove, let me just -- I don't know if you know. This question's being addressed to you.

SEN. GRAMM: Have you or any member of your staff had any communication with the president, with the first lady, with their representatives, including legal counsel, with members of their White House staff concerning Whitewater or Madison Savings and Loan?

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MR. HOVE: Our director of the Office of Communications at the FDIC had received a call from a press person at the White House after the second article appeared The Chicago Tribune regarding the First American issue. They asked, did we have any statement? And the response given to the White House was, no, we did not have any statement.

SEN. GRAMM: So they were asking you to respond to the press statement? MR. HOVE: It was Mrs. Clinton's attorney.

SEN. GRAMM: Mrs. Clinton's attorney --

MR. HOVE: I'm sorry. It was Mrs. Clinton's attorney --

SEN. GRAMM: -- called you?

MR. HOVE: It was Mrs. Clinton's attorney that called the FDIC Office of Communication.

SEN. GRAMM: So Mrs. Clinton's attorney called the FDIC and asked you to respond to a press --

MR. HOVE: No, no, that's not what he said.

SEN. GRAMM: Well, I'm asking the question.

MR. HOVE: Yeah. No, but that -- but --

SEN. GRAMM: I'm not trying to speak for you.
What did Mrs. Clinton's attorney ask you to do?

MR. HOVE: They asked did we have any statement, and we responded, no, we did not have a statement.

SEN. GRAMM: Would it be normal that someone's -- did this attorney work for the federal government?

MR. HOVE: No. This was Mrs. Clinton's attorney.

SEN. GRAMM: When did this call occur; do you know?

MR. HOVE: After the second article appeared in the Chicago Tribune, and I can't tell you the date of that. It's been in the last, what, two weeks or so? I don't know.

SEN. GRAMM: And you were asked if you had a response that you were going to put out on it; you said no.

MR. HOVE: That's correct. We responded to the first statement, the first article that appeared in the Chicago Tribune, pointed out the errors of that article, that it was not an FDIC matter,

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exactly the same thing that I responded to Senator Faircloth.

SEN. GRAMM: And to the best of your knowledge, you've had no other communication, you and your staff have had no other communication with all the people that --

MR. HOVE: That's correct.

SEN. GRAMM: Let me pose the same question to Mr. Fiechter and to Ms. Ford.

MR. FIECHTER: To the best of my knowledge, I know I have and OTS staff has had no communication whatsoever with anyone from the White House about this or that list that you included in your question.

MS. FORD: No, the Oversight Board nor I have had any involvement in this matter.

SEN. GRAMM: Let me raise a second question, and it's a thing that I've tried to understand in looking at where we are and what we need to do to get on with finishing this matter. Part of the problem that we have had in the past with regard to congressional hearings and congressional involvement really has involved two things. One has been the granting of immunity by congressional panels for people who would testify. The other is that under the Constitution, the testimony of a member of Congress is a privileged matter that is given special treatment. In this case I'm not aware that anyone in holding a congressional hearing or looking into this matter would be talking about -- I don't know of a committee that would be empowered to grant immunity. No such resolution has passed the Congress. We're not talking about a member of Congress, where there's special constitutional provisions. I'd like to just pose the question: What would be wrong with letting members of this committee that have oversight responsibility look at the records in this case or any other case where we have oversight responsibilities? Mr. Hove, let me pose that to you and Mr. Altman, and then I see my time is up and I'll stop.

MR. HOVE: Our position is that we will make access available, and we have, to Congressman Leach, to all information that is, again, non-confidential documents.

SEN. GRAMM: How would you define what is confidential?

MR. HOVE: Again, those that would -- (pause) -- those that would involve privacy information that would be non-germane to this issue.

SEN. GRAMM: And you would make that judgment?

MR. HOVE: Yes.

SEN. GRAMM: Mr. Altman?

MR. ALTMAN: First of all, Senator, we have already provided volumes of documents to the Congress. Senator D'Amato referred at the very beginning to documents he received last

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evening, and I would have liked him to receive them earlier, but we only got the request last Friday.

But in terms of Congressman Leach, who has also received those documents, he has had them for some time -- if my memory serves, 6,500 pages -- the RTC has been asked not to make information about criminal referrals in the Madison matter public, and it's standard practice not to release information of that kind or any other which might compromise a criminal investigation. And of course, we're cooperating with the independent counsel to try to assure that we don't release any information which would jeopardize his investigation. And as I said earlier, I would think you would not want us to do that in order that that investigation should proceed as it should.

SEN. GRAMM: Mr. Chairman, if I could have your indulgence, I've got here a text of a newspaper article in Phoenix that contradicts something that Mr. Hove said, and I'm sure he doesn't want to let it stand. I've got a response, apparently after the second article, where the agency -- the FDIC did in fact make a statement. It says the agency said Mrs. Clinton's involvement in the case was not extensive enough to constitute a conflict of interest under rules governing federal regulation of savings and loans. I've got this if you would like to see it.

MR. HOVE: Was that after the second -- we made a comment -- we made a public comment after the first article appeared --

SEN. GRAMM: This is 2/16/94.

MR. HOVE: Okay, and I don't know when those articles appeared. SEN. RIEGLE: Why don't you take a look at it, and let's go to Senator Domenici and then --

SEN. GRAMM: (Aside) -- When did the other one occur, what's the date on the other one?

MR. HOVE: Senator, we commented after the first article appeared to correct any inaccuracies that was in the report. The involvement that Mrs. Clinton had in that case was, again, as I mentioned to Senator Faircloth, that she signed an amended complaint for her partner, Vince Foster, who was the attorney who was involved in the case. That involved two hours that was billed on Mrs. Clinton's part on that case in which she signed the amended complaint. As far as we can determine from the records we have, that was the involvement that she had had, and that's what we released at the time.

SEN. GRAMM: Well, if you would take a look at this and just let us know in writing if this was the second one, how the response was made, who made it, why they made it, it'd be fine. Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Domenici.

SEN. PETE V. DOMENICI (R-NM): Mr. Altman, Stanley Tate (sp) was nominated by President Clinton to head the RTC, and while preparing for that confirmation he was at the

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RTC in a consulting capacity. That's all true, isn't it?

MR. ALTMAN: Yes, sir.

SEN. DOMENICI: When he withdrew his nomination, he attempted to release to the public materials he had prepared containing the RTC operations. Are you and the board familiar with the document that I refer to?

MR. ALTMAN: Generally, sir, yes.

SEN. DOMENICI: Why did the oversight board prevent Mr. Tate (sp) from releasing that document?

MR. ALTMAN: Well, first of all, it was released.

SEN. DOMENICI: Well, you released it -- when he left it was not released and you claimed it should not be released. But then eventually you provided the document to Senator D'Amato, I believe, or my office, but that was December 23rd, 1993. Why was it not released when he wanted to release it?

MR. ALTMAN: Well, senator, my recollection is that it was released rather promptly. Maybe not the day after he submitted it, but as a federal employee -- consultant, the materials properly would be -- were reviewed by his superiors before being released. But I think the point is they were released in short order.

SEN. DOMENICI: Well, did the RTC or the oversight board alter, edit, or sanitize this document before releasing it? And let me say if not, why did Dietra Ford, oversight board executive director, send a memo -- and I have that -- dated November 30th to you about these materials which included the following sentence: "I'm forwarding the enclosed so that you can see the original materials and fully understand the disaster we narrowly avoided." Those last -- that last sentence is a quote. What was the disaster that Mrs. Ford was referring to? Was this a reference to Madison? If it wasn't, fine. If it was, I think maybe we ought to know about it.

MR. ALTMAN: Senator, you should ask Mrs. Ford that question.

SEN. KERRY (?): You may not like the answer, but --

SEN. DOMENICI: Well, I just got this letter, and it deserves an answer. If it's not what I want, that's fine. That's what we're here for.

MS. FORD: We received the 200-page document the morning of his press conference, and we had only a quick time to take a look at it at the Oversight Board. The deputy general counsel of the Oversight Board and I advised --

SEN. : Pull the microphone up.

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MS. FORD: We advised Mr. Tate that the material should be reviewed by the Oversight Board staff, myself, as well as the interim CEO, Mr. Altman, before they are released to the public and that he was a federal -- special federal government employment and, therefore, he was subject to the rules that apply in terms of ethics, the Office of Government Ethics, that applied to the release of documents which he obtained during his tenure as a federal government employee.

SEN. DOMENICI: Well, what's what your letter says.

MS. FORD: That's right.

SEN. DOMENICI: But what was the "disaster that we narrowly avoided"?

MS. FORD: It was my interpretation that, to release those documents before anyone in the Oversight Board staff, the attorneys involved, or -- who advise us, have a chance to look at them, was inappropriate. And that's my choice of words -- "disaster." I think it's inappropriate to release documents before we know what they contain.

SEN. DOMENICI: I thank you.

Let me quickly move to a couple of other ones if I might. Mr. Altman, I think you told Senator Bond that you would not make available any documents that, quote, "would have a negative impact on the legislation," closed quote.

MR. ALTMAN: No, I don't think so.

SEN. DOMENICI: No?

MR. ALTMAN: I said -- I think I said that we would try not to release any documents that would have a prejudicial effect on the investigation.

SEN. DOMENICI: Well, this committee held hearings on the failure of the Bank of New England in the context of an unsuccessful confirmation hearing on Bob Clarke. This committee explored in detail transactions related to that bank. Voluminous documents were made available. Maybe this is distinguishable, but it seems to me that the same question could be asked here. Why can't you release all of these documents for this kind of hearing?

MR. ALTMAN: Senator, we have had -- or I am advised we have had a couple of conversations with Mr. Fiske, the independent counsel. He has asked us not to release any documents that could jeopardize his investigation. I don't know why you would want us to do that, to jeopardize his investigation. We certainly don't want to.

SEN. DOMENICI: I don't want you to.

MR. ALTMAN: And we're respecting his request.

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SEN. DOMENICI: But if the special prosecutor has no objection to the committee being provided copies of documents, can the committee then count on the RTC's full cooperation in providing them.

MR. ALTMAN: You should direct that question to Mr. Fiske.

SEN. DOMENICI: No? If he has no objection, then can we count on you to release them?

MR. ALTMAN: I think the answer is yes.

SEN. DOMENICI: Does the RTC have an inspector general?

MR. ALTMAN: Yes, sir.

SEN. DOMENICI: Has the inspector general investigated the conflict-of-interest allegations regarding the Rose firm?

MR. ALTMAN: I don't know the answer to that.

I'm nearly certain it's no because, as you know, it wasn't the RTC that ever had any retainer relationship or other relationship with the Rose firm.

SEN. DOMENICI: But you're kind of the natural successor to what went on there, and I believe -- I think when you took over you began some investigation of that. We'll show you that in a minute. But my question is, if the FDIC agreed to have its IG look into Madison, would there be any reason why you wouldn't?

MR. ALTMAN: I have no objection to the IG's looking into any matter that he sees fit to look into or that he's requested on an official basis to look into. That's what he's there for.

SEN. RIEGLE: Senator Domenici, I don't want to be arbitrary, but I do want to try to stay on the time clock if I can as we go back and forth, and we'll continue until everybody's had a chance to cover everything they want to cover today.

SEN. DOMENICI: Thank you very much, Mr. Chairman.

SEN. RIEGLE: Chairman Greenspan, I want to come back to the interest rate situation because we had an opportunity to talk the day that the Fed took its first step, after that was taken, and I'm concerned about the question of what has happened since and just your own expectations of what might happen, what has happened. You've made further public comments in a hearing recently. I'm just wondering, as you watch market reactions to the tightening move that the Fed made, are you seeing essentially what you expected or have you seen something that -- particularly in terms of the uptick on the long rates -- something that maybe you would not have expected? In other words, where are we now, and how do you read what seems to be taking place as a reaction to the Fed's policy adjustment?

MR. GREENSPAN: Mr. Chairman, as Senator Sarbanes indicated, my expectation was on the

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basis of what has historically tended to be the case, that the type of increase that we've had would initially lead to some small increase in long-term rates followed by some edging off. That's basically been the history, other things equal, and that's essentially what one endeavors to use so far as a forecast is concerned.

What occurred in the interim was, as I indicated to the subcommittee of the House the other day, is that there was a growing concern that after the torrid pace of economic growth in the fourth quarter, which is apparently in the process of being revised up, that the possibility that we would not be moving to a much more moderate rate of growth was rising, and the first evidence that that was affecting market perceptions was when the Philadelphia Federal Reserve Bank released its monthly survey, which showed a significant increase in prices paid by manufacturers for the month -- I suspect it's early February. The point at which that release was made, the long-term rates were very slightly above where they had been previous to the February 4th move. But what occurred following that was a general belief that the pace of economic activity may turn out to be somewhat stronger than most of the people in the market had anticipated.

And to repeat what I said at the House Banking Subcommittee, that change in view in the market's perception led to a significant backing up of long-term rates, which is what typically happens when those types of expectations change. As I said then, my impression of how one should interpret that Philadelphia report is more an indication of a pick-up in economic activity because commodity prices tend to be reasonably good proxies for new orders and indeed I think that's what essentially that particular report was showing. It is not a particularly good forecaster of inflation. And as I said at the House committee, we seem to be lacking the financial tinder that usually is associated with inflation accelerating when you get a significant pick-up in economic activity.

I'm agnostic at this stage. I think it's too soon to make a judgment, but we will learn a good deal more as the data begin to come forward.

SEN. RIEGLE: Well, but as I listened carefully to what you were saying, it seems to me when you say you don't see the inflationary tinder and that you're sort of an agnostic, I mean, I gather you're saying you don't see, yet, a broad evidence of a build-up of inflationary pressure that really worries you. I mean, I -- or is that not a -- I mean, put it in your words, but I'm just --

MR. GREENSPAN: No, that is substantially correct. Look, the reason that we moved on February the 4th, and the reason I said we may have to move again, rests on the issue of having deliberately put through a significant degree of accommodation in the money markets after 1989 because we perceived that there were special balance-sheet factors and other headwinds which required that we move the short-term interest rates below where they normally would reside. And when it became apparent that the adjustments that we thought would occur and in fact have been occurring in the balance sheets got to a point where the economy could start to regain its momentum and gain a degree of expansion which seemed to be well entrenched, at that point the need to have excessive accommodative policies no longer exists. The issue is not, do we see inflationary pressures emerging, BUT what is the reason

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why we would want to keep the level of accommodation at a point where history tells us, if extended indefinitely, eventually does engender inflationary pressures. So, it's the issue -- I would reverse the question, not do we see inflationary pressures, but what reason would we have, once the recovery seems well entrenched, as indeed I believe it is, would we wish to keep an excessively accommodative stance? That is not a statement which says we are setting inflationary pressures emerging; indeed, as I said in my prepared remarks to the House committee, when we actually see inflationary forces emerging in the way of price changes which are clearly evident, the one thing we're sure at that point is we are very far advanced in the process, and history tells us that that type of policy which we engaged in much too often, is wholly inappropriate to maintaining long-term economic stability.

SEN. RIEGLE: Well, let me just say to you I find that a very important clarification and point that you've just made. And I think it puts this in a somewhat different light than some of the commentary, I think, has given to it because what I hear you saying is that you've -- you've had a monetary policy that has been overly accommodative in order to try to get sort of the engine going again and that you overcorrected in a sense --

MR. GREENSPAN: Deliberately.

SEN. RIEGLE: -- deliberately. And now that it has gotten the traction that it needs to have, as far as you can tell, you're taking back some of that overcorrection but not for reasons of the fact that you see this inflationary tinder building up here.

MR. GREENSPAN: Precisely. And, in fact, I've tried to make that point every time I've stated this, and I somehow don't seem to get it across as well as I think I would like to.

SEN. RIEGLE: Well, I think you got it across pretty well right now, and we've got a pretty good sized press table that I hope will have gotten it down even though it's 20 to two, which is sort of a late hour for us to all be meeting here -- (laughter). But I thank you for that. I think that's a very important distinction, and I think it's important for the economic system and the markets to understand what you've just said.
Senator D'Amato.

SEN. D'AMATO: Thank you, Mr. Chairman. Mr. Chairman, I have to say to Mr. Altman that I would like to go back to a question that Senator Gramm brought up and -- as it relates to any meetings with White House staff or counsel. Mr. Altman, I think you said that you and a -- an official from Treasury sought out Mr. Nussbaum. Is that -- is that correct?

MR. ALTMAN: Yes, I did.

SEN. D'AMATO: Could you tell us why? In other words, I have difficulty understanding why it is you felt compelled to seek out the White House counsel.

MR. ALTMAN: Solely to ensure --

SEN. D'AMATO: Solely to -- ?

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MR. ALTMAN: Solely to be sure that he understood the legal and procedural framework within which the RTC was working. And if you recall, as I said at that time, it was a February 28th date which was the subject of major attention in the Congress and in the press. It's not uncommon of meetings of that type to take place. And I'd describe it as a "heads up" and a very stiff conversation.

SEN. D'AMATO: A "heads up". In what connection would that heads up be? You mean that the statute of limitations was running?

MR. ALTMAN: No, that they should be aware of the internal processes and the types of criteria which the RTC was going to be following in order to reach a decision by February 28th.

SEN. D'AMATO: Was any representatives of the president or Mrs. Clinton or any legal counsel -- which I think would be appropriate -- speaking to the counsel for the RTC, or people handling this particular -- this particular matter? I mean, was there any legal representation going on? Was this -- you just called them? Did they have any representatives, any counsel who may have been meeting with staff people or talking to staff people?

MR. ALTMAN: I was accompanied by our general counsel, Treasury general counsel. Mr. Nussbaum had his assistant with him. And Mr. Ickes and Margaret Williams were both at the -- there at the time.

SEN. D'AMATO: Oh, Ickes is in it, huh?

Let me ask you this: Prior to this meeting, was there any representation -- was there any counsel that was being given representing the president's interest or Mrs. Clinton's interest or anyone else that you're aware of as it relates to the matter that you went to brief them on?

MR. ALTMAN: No, not to my knowledge. Nor were there any substantive conversations -- subsequent conversations.

SEN. D'AMATO: Did anyone request this meeting?

MR. ALTMAN: I requested the meeting.

SEN. D'AMATO: Was there any other meeting that may have been requested?

MR. ALTMAN: No.

SEN. D'AMATO: There was no other meeting that you are aware of that the White House counsel requested?

MR. ALTMAN: No.

SEN. D'AMATO: Or anyone else from the White House?

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MR. ALTMAN: No.

SEN. D'AMATO: Mr. Ickes?

MR. ALTMAN: I had no subsequent -- I received no subsequent requests for meetings.

SEN. D'AMATO: Well, what about private counsel? Did private counsel -- I find it hard to believe that there was no private counsel. Are you saying to me that there was not even private counsel that was meeting with staff lawyers at some level?

MR. ALTMAN: Not to my knowledge, Senator.

SEN. D'AMATO: Ms. Ford, do you know of any?

MS. FORD: No, I've had no involvement.

SEN. D'AMATO: Let me turn to the RTC report which was dated February 8th, which we received last evening about 9:00 -- Resolution Trust Corporation -- and say to you that, in reviewing this document, I think it goes a little further -- does a little better job than the one that came out of FDIC. I found it interesting that in its conclusion on page five and six, in its summary before it reaches its disposition, it says, A, Rose represented Madison prior to its failure; B -- and I am not reading the whole sentence -- Rose represented the FDIC/RTC subsequent to the failure of Madison; C, Rose did not disclose its representation of Madison before the Arkansas Securities Department to the FDIC or the RTC. Further, it did not report possible conflicts involving the brother-in-law and father-in-law of Webb Hubbell. And, by the way, I'm going to, Mr. Hove, read something to you that's quite illuminating. You better have your lawyers take a look at this. And when it gets all done doing that, it says, based on the factual conclusions in the RTC conflicts report -- it says we send it to counsel.

Now, I have to tell you that I am going to ask -- because you have no conclusion. It just says, "These are the facts; these are the facts, fellows. Now, you do with it what you want" and sends it to counsel -- general counsel. I'm going to ask that this report and any other relevant material that was gathered by those who were working on it be submitted to the inspector general. And as you've indicated before, you certainly wouldn't say, "I don't see any -- how that would impede anybody or anything." But I certainly would feel more comfortable that it goes to the inspector general as opposed to the general counsel. And I think it would guarantee the integrity of the review, certainly in this senator's mind and I think in others.

MR. ALTMAN: Fine.

SEN. D'AMATO: I thank you very much. I see that my time has expired. I have another observation to make, and I'll do that after -- at the appropriate time.

SEN. RIEGLE: Senator Kerry?

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SEN. KERRY: Well, let me ask my colleague, is that going to be the last -- I mean, or is there intention of colleagues to go a whole other round?

SEN. D'AMATO: I think some colleagues have some other questions, and they'll raise them whenever --

SEN. RIEGLE: I think maybe we're going to have one more go-around here with those that are left who want to do so. And then I think we're probably done here.

SEN. KERRY: It was my understanding that we were going to have another hearing here in 10 minutes, which I'm also supposed to participate in. I'm just curious what the plans of the chairman are. If my time could not -- I'm just --

SEN. RIEGLE: They have a different room that they're meeting in --

SEN. KERRY: All right. So that's --

SEN. RIEGLE: -- so that we won't run into a room conflict. But we are late in the day, and the witnesses have been here a long time. So my intention would be to finish up a round here where everybody gets another turn at bat.

SEN. KERRY: Well, maybe I could ask another -- just procedurally. I don't want to really use my time at this point. But it seems to me that maybe we could ask if anybody has any more questions to ask of the chairman of the Federal Reserve, because it seems not a great use of his time to sit here if all we're going to do is talk about another subject.

SEN. DOMENICI: I -- is my turn imminent here? Or do I have a long wait?

SEN. RIEGLE: Let me get my batting order here.

SEN. DOMENICI: Because I don't want to keep him a long time, but I wanted to --

SEN. RIEGLE: Actually, you follow Senator Bond, who will come after Senator Kerry. Then we'll come back to Senator Boxer. So actually there are --

SEN. : How long is your question? Maybe they would let you get that --

SEN. DOMENICI: I don't want -- I don't have a question of Mr. Greenspan. I just want to state for the record that, frankly, I believe the actions you took over the last three or four years have a great deal to do with the status of the American economy. I frankly believe you were subject to some undue criticism, but if we have a solid recovery, I think it's very significantly related to the conduct of the Federal Reserve over the last 3-1/2, four years.

Maybe President Bush would have liked it differently, maybe Dick Darman would have, maybe it all could have happened earlier, but nonetheless, I think you're somewhat responsible, so I trust you at least on what you're doing now.

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SEN. RIEGLE: That reminds me a little bit of watching some of that Olympic skating competition last night when they throw the bouquets out on the ice. You just threw a nice one to the chairman. Senator Kerry?

SEN. : You were critical of him. You wanted to loosen up even more.

SEN. RIEGLE: Well, the other day I think my comments were comments that reflected some understanding as to what the chairman's trying to do, and I think he's put additional light on that today. I don't think this chairman wants to strangle the economy. I'm speaking of Chairman Greenspan, and, you know, sometimes you can do that and not intend to. But I think he's trying to be as prudent as he can be. Senator Kerry?

MR. GREENSPAN: Excuse me. Mr. Chairman, is that -- (inaudible)?

SEN. RIEGLE: Are you excused? Can you take your bouquet and go? (Laughter.) Yes, you can. Senator Kerry?

SEN. BOXER: You get a 5.9 from me.

SEN. RIEGLE: Senator Boxer gave you a 5.9. (Laughter.)

SEN. BOXER: You skate so well (on the ice ?).

SEN. RIEGLE: Especially on the technical portion of the -- (laughter) -- of the program.

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RESUMPTION OF COVERAGE

x x x program.

SEN. : (Off mike.)

SEN. RIEGLE: Senator Kerry?

SEN. JOHN KERRY (D-MA): Mr. Chairman, I'm not sure I have time to stay through the whole process here, so I may review the bidding here a little bit. But just speaking as a former prosecutor, one of my colleagues over here was sort of questioning the duality. I can tell you, as a person who has presented evidence to grand juries and who has spent some time putting cases together, that there is nothing worse than having dual tracks, witness confusion, various statements appearing in public, multiple copies of documents moving around. I would be very surprised if Special Prosecutor Fiske decided to do it. It certainly wouldn't be a judgment that I made to make things public in the middle of an investigation because it inevitably taints somebody's something and it creates a very hard process for pursuing a track. What astonishes me here a little bit -- and I want to reiterate it -- I mean, we've got \$150 billion problem here which taxpayers are paying for. They're already angry enough about us wasting their time and duplicitous process. And here we are, frankly, with very important people in front of us having spent a morning not really examining where that \$150 billion went, not talking about it, but dealing instead with politics. And that's what this really comes down to, it's politics. It's totally unnecessary. In the context of the gentlemen who has been made a special prosecutor, a Republican appointed by a Democrat -- and let me just share with colleagues again quickly something about Mr. Fiske. This is an article from the New York Times right after he was appointed: "Robert Fiske's reputation for integrity and thoroughness is so entrenched that if he finds no wrongdoing during his investigation of the Whitewater affair, his findings could put rumors about Bill and Hillary Clinton's business dealings to rest. The choice is one that you simply can't argue with," said former Treasury Secretary Nicholas Brady, a close friend of former President George Bush and a college classmate of Mr. Fiske's more than 40 years ago. "He's one of those guys who has always conducted himself with integrity." The article goes on to say that: "Mr. Fiske, a 63-year-old Wall Street lawyer, earned his reputation by being an aggressive prosecutor. If the Clintons have something to hide, he could pose a formidable problem. If he lives up to his billing, at the very least his investigation will disrupt the lives of the first family."

Now, if that's not enough, if we don't have the patience to allow him to do his job and sit here and ask relevant questions about \$150 billion, we ought to ask what we're doing. I mean, this is why the taxpayers get so fed up because all we do is dig into politics. And there's a huge distinction between this case and prior cases because we are not looking at a current situation where the president is currently making decisions about current money being spent or current policy. This is something that happened when he was governor -- if whatever happened happened -- and I suggest that this prosecutor has the ability to get at it. If he doesn't, I'll join with Senator D'Amato, I'll be one of the first people -- I think I have a good reputation here on the basis of BCCI and Noriega and other investigative efforts in pursuing things. But I think back to the time that I was trying to do that. I didn't have any help from the other side of the aisle. We did not get subpoena power. We did not have the

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ability to have a full-fledged investigation in this committee on that. And I sat here with Tim Wirth and we tried again and again to get an extension of the liability. We also tried to get a special prosecutor. Most of my colleagues making a lot of noise about this now opposed having a special prosecutor. So I just think fair is fair at some point in this business. We all understand the game and we all understand what happens. But it seems to me that to take a 150 billion dollar fiasco and relegate it to a second tier for this 194 state-run -- who was the primary regulator of this institution originally? MR. : The -- originally it was the Federal Savings and Loan Insurance Corporation, and then later OTS.

SEN. KERRY: So it came to the federal government secondarily. And, I might add, for two years this case was closed. It wasn't until six weeks before the election -- and we ought to ask some questions about this -- that suddenly, when Bill Clinton was the nominee for president of the United States, that there was a criminal referral to the RTC, not until six weeks before the election. For two years while my friends controlled the elements of regulation, nobody was asking the questions that are being asked here today. So I'm not saying questions shouldn't be asked. I am saying we absolutely ought to get to the bottom of whatever took place. We ought to understand all these institutions because it's a sorry chapter in American politics. But that's going to happen, the 25 FBI agents and depositions and documents being made available, and the taxpayers of this country do not need us jumping all over each other for political purposes, avoiding the real issues that they would like us to dig into. And I don't think much more needs to be said beyond that.

SEN. RIEGLE: Senator Bond?

MR. : Mr. Chairman, may I make a correction?

SEN. RIEGLE: Yes.

SEN. KERRY: I think Senator Kerry asked who was the primary regulator. The primary regulator was the state of Arkansas.

SEN. KERRY: Well, that was what I was getting at. The primary regulator was the state.

MR. : Exactly. And the primary federal regulator was FSLC and OTS.

SEN. KERRY: Correct. So the issue of federal nexus here in terms of decisionmaking is only by transfer, not by original jurisdiction. So what we're doing is secondary to the third tier.

SEN. RIEGLE: Senator Bond?

SEN. BOND: Mr. Chairman, for the benefit of my friend from Massachusetts, I am going to submit a chronology and some questions for the record to the RTC to answer. I recall it was Jerry Brown of California who first raised the question during the 1992 campaign, but we all will be able to benefit from these questions, which are along the lines that Senator Kerry raised. I also have a series of questions for the FDIC and for the RTC which follow up on these other questions, but in the time remaining I do want to pursue a couple of items. When

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we last talked, Mr. Altman, you said that normal procedure would be for the RTC to seek out and acquire records wherever they were. Now, if the RTC under your direction were requesting records from the first lady at the White House, a rather high-profile event, would it not be customary for them to advise you that they were requesting records in the possession of the first lady?

MR. ALTMAN: Senator, I don't get involved in any substantive aspects of any PLS case, particularly -- or including documents that they may seek. So they've never brought that to my attention since I've been in this job, and that goes right through today.

SEN. BOND: So you wouldn't expect them to tell you.

MR. ALTMAN: No, I wouldn't.

SEN. BOND: I find that remarkable. In a normal criminal referral case, the RTC creates and retains an inventory of pertinent documents used to make the case. As I understand it, at least one version of the inventory has been provided to some members of Congress. Could you furnish to this committee the latest, most up-to-date inventory and provide the hearing -- for the hearing record along with the previous versions? Would you make that available?

MR. ALTMAN: Last evening we supplied the -- 6,500 pages of information to Senator D'Amato's office, as we had some time earlier to Congressman Leach. SEN. BOND: And is that the entire inventory? Are those all the documents? You give new challenge to Federal Express and Overnight Postal Service to get the delivery of such a substantial stack of documents at the particular time, a new standard for delivery in package express.

MR. ALTMAN: Well, I have here a list of the documents.

SEN. BOND: Is that the latest version?

MR. ALTMAN: This is just a list of what the documents are. There's 6,500 in total pages. This is a list of the documents we provided.

SEN. BOND: If you could make one available for the record, we would like to have that. I'd appreciate it.

MR. ALTMAN: Be delighted.

SEN. BOND: Next, when did you become aware of the RTC recommendations that further criminal prosecution be taken against Madison?

MR. ALTMAN: Last fall I was advised that the question of a referral to the Justice Department was under consideration at the RTC, and as other members of the RTC staff will attest, I said that normal procedures, with no deviation whatsoever, should be pursued, including chain of command procedures, in terms of reaching that conclusion.

X001035

I might tell you that typically decisions like that are made at the regional office level, and that it was in this case.

SEN. BOND: Were you aware that the regional office had asked the national office to make a determination as to whether the Clintons' name should be in the new expanded referral?

MR. ALTMAN: No.

SEN. BOND: You did not know they were asking for the national office to make a determination on that?

MR. ALTMAN: No. I was simply informed that this issue was on the table, and my reaction was -- I had only one conversation about it -- that normal procedure should be followed. That's the way we're going to handle this thing from beginning to end.

SEN. BOND: How was the White House notified of the referral? Was it from your agency?

MR. ALTMAN: They were not notified by the RTC, to the best of my knowledge.

SEN. BOND: Nobody in your agency, to your knowledge, advised the White House staff that this was going to be a major -- this could be a major source of concern?

MR. ALTMAN: Not to my knowledge.

(Confers off mike.)

Ms. Ford, do you know if the White House was notified by the RTC?

MS. FORD: No, we have had no involvement at the Oversight Board whatsoever.

SEN. BOND: When was the firm of Madison & Pillsbury put on retainer by the RTC, do you know? And for how long and what cost?

MR. ALTMAN: I don't know that. I'm aware that that firm has been retained as outside counsel on this matter, but I'm not aware of the date on which it was retained nor the retainer arrangements.

SEN. BOND: Will they review the potential of suing the various law firms who represented Madison or the board of directors?

MR. ALTMAN: I don't know the answer to that question.

SEN. BOND: We'd appreciate knowing that, if you could, later. And if there are other outside counsel or consultants hired in conjunction with the case, we would like to know that. And finally, I'm advised that the list you have there is just an inventory of the documents provided to Senator D'Amato; it is not the complete inventory of the documents pertaining to Madison. And if I'm mistaken, in either event, we would appreciate receiving a copy of the inventory of the entire documents.

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MR. ALTMAN: Well, Senator, I'm not sure I fully understand your question. But what we have released amounts to what we've been asked for, less any documents that, in our judgment, could prejudice the investigation. I told you earlier that we'd had a couple of conversations -- I haven't had them; I'm advised there were a couple of conversations with Mr. Fiske, with each side asking the other not to release information or take any other steps which would prejudice either side's investigation, and we're trying to adhere to that.

SEN. BOND: As I understand it, that you have prepared an inventory. I'm not asking for the documents themselves, but I understand that you had prepared an inventory and had furnished perhaps members of the House side, or others, with the inventory, not the contents of the documents.

MR. ALTMAN: Any information, I assure you, that we have supplied to Congressman Leach or anyone else -- elsewhere in the Congress, we're delighted to supply to you or anyone else here that would like them.

SEN. BOND: Would that include an inventory, a cataloging, not the contents but a cataloging of the documents in the Madison case?

MR. ALTMAN: We will supply you with any information to that extent that we can which does not get into areas that we think would prejudice the investigation. SEN. BOND: Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Boxer?

SEN. BOXER: Mr. Chairman, I'd like to -- I'm still working.

SEN. RIEGLE: All right. Senator Domenici, you're next in the order.

SEN. DOMENICI: Mr. Altman, you spoke a while ago of your one contact with the White House regarding this, and you and your counsel went up to talk to the White House counsel.

MR. ALTMAN: Yeah, one substantive contact.

SEN. DOMENICI: Please?

MR. ALTMAN: One substantive or meaningful contact.

SEN. DOMENICI: Yeah. Well, I assume -- we're not arguing there that you had -- you're not suggesting you had more than one, are you?

MR. ALTMAN: No. I'm just saying that if you -- you know, you run into someone in the hall -- did you see that thing in the paper this morning? -- I'm not including that.

SEN. DOMENICI: All right. You said you were there to give a heads-up. What I understand the situation to be on average folks, a couple of them in my state that were bordering up

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alongside of a statute of limitations becoming a defense, they were presented with a tolling agreement, and if they didn't sign it, suit was filed so as to toll the statute. Is that a rather fair assessment of the way business is done?

MR. ALTMAN: I think I'd have to know the details of the matter, Senator.

SEN. DOMENICI: Well, I guess what I'm wondering, are we getting the right perspective of why you did this? Did you go there because you wanted them to know that clearly they might be asked to sign a tolling agreement, or to know that the normal process was that the toll -- the statute's going to toll, and there's reasonable grounds to suspect something, they might expect a lawsuit? Or why else would you give them heads-up?

MR. ALTMAN: The difference between this and a matter like the one you referred to is that I had been receiving -- had begun to receive a lot of inquiries, including in writing from Congress, as to what procedures the RTC was going to follow, and I wanted to give them the same sense of those procedures that I was giving members of Congress. And I said to them nothing different than I've said to members of Congress.

SEN. DOMENICI: Well, I understand that, but I guess what I'm getting at is there must have been a reason for telling them that. Congress was just saying the statute's going to run, what are you going to do, so you went over there to tell them that we're going to apply the same thing we do in any other case? And that's the heads-up that you were giving them?

MR. ALTMAN: That's right.

SEN. DOMENICI: Was it serious enough that you wanted them to know because there might be something that they would be confronted with that was untoward as you applied your rules, like asking for a tolling agreement or filing a lawsuit? MR. ALTMAN: Again, the essence of what we said was that the statute of limitations which then applied was scheduled to expire on February 28, 1994; that the RTC was going to make every effort to make a decision by that date. It could fundamentally reach only one of two decisions, that there was a basis for a claim or that there wasn't. If there was a basis for a claim then we would either seek a tolling agreement to permit more discovery and more preparation or we would file that claim in court.

SEN. DOMENICI: Well the passage of the statute of limitations extension eliminates that problem as you have already indicated.

I guess, Mr. Chairman, I'm having a little difficulty with explanation because one way of looking at it was that it was not a very meaningful or important meeting -- that he was just doing this so that he would be able to tell Congress he had told them he's going to treat them the same way as others. I don't think a man -- you know, I know you fairly well -- I don't think you would be going over there to just be able to send this letter to Senator D'Amato that says I have told the White House that they're going to be treated the same way as other people --

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MR. ALTMAN: Senator, I did not know whether they knew of such procedures which as I say I was then communicating to members of Congress and it just seemed to me a little odd to explain to a member of Congress that we're going to follow "XYZ" procedures and not have them ever be made aware of what those were.

SEN. DOMENICI: Well, I want to close on this remarks by thanking you, Mr. Chairman, for holding these hearings. I hope the public understands the Republican response to Senator Kerry, you know, it's almost an insult to accuse us of not being concerned about oversight and that some how or another the other side is more interested in how the RTC turned out. Frankly, that's just borders on being a joke. This hearing, we have all your statements, we're going to read them. So we're going to know what you were going to say. If you sent it to us yesterday, our staff has probably read it already and they'll brief us so we're going to know. My last observation would be that it's inconceivable to me Mr. Altman that you would really be concerned that the people involved in the investigation, whomever they are, whether it be the people in Arkansas, whether it be confidants of the President, whomever, that they would not know that the statute of limitations was going to toll and that that presented a situation that you had to advise somebody on.

I just don't think anybody involved in this would not know that.

MR. ALTMAN: Senator, I also -- I would agree with you. I can't say for sure. I don't know what was in their minds. I doubt very much that they did not know about the statute of limitations.

SEN. DOMENICI: Right.

MR. ALTMAN: What I was saying was not that. What I was saying was I did not know if they knew and, frankly, my impression is, as a result of that meeting, they hadn't previously known what procedures the RTC would be following. By that I mean that you have to choose between -- you have to reach a conclusion as to whether there's a claim or there isn't, and then what you have to do if you reach the conclusion that there is.

SEN. DOMENICI: All right. Thank you very much.

SEN. RIEGLE: Thank you.
Senator Faircloth?

SEN. FAIRCLOTH: Thank you, Mr. Chairman. And I will echo Senator Domenici. You have done a superb job of conducting. And I'll be very brief. My questions are to Mr. Hove. Mr. Hove, we keep coming back -- you said the FSLIC issued this report, who has long been out of business, and did the investigation on Mrs. Clinton and her relationship.

MR. HOVE: No, sir, I didn't say FSLIC. I said that the agency that handled the closing of First American was FSLIC, and that occurred before FDIC had any involvement in that.

SEN. FAIRCLOTH: All right. But who did the investigation -- I assume there was one done

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-- to determine that Mrs. Clinton had no involvement whatsoever that was worthy of looking at?

MR. HOVE: We did not do an investigation, we did not do a review because we don't have all the records. The records are the old FSLIC records that are not in one central repository. All we did was review the records that we had available at the FDIC, and the records that we had at the FDIC only indicated that Mrs. Clinton's involvement, from the records that we could review, was the two hours that she spent filing the amended complaint for her partner, Vince Foster.

SEN. FAIRCLOTH: So, what you're saying really is that you did a very incomplete and surface investigation.

MR. HOVE: We did not -- we simply looked at the records that we had, and we did not make an investigation any further than the records that we had available to us at the FDIC.

SEN. FAIRCLOTH: Well, I would say that Mr. Whitney (sp) issuing such a clearance for Mrs. Clinton in the name of the FDIC doesn't lend a lot of credibility to an FDIC investigation when he makes his statements and when you didn't really have the records to make an investigation, from what you're telling me.

MR. HOVE: What we were doing was correcting the information that was erroneous in the Chicago Tribune report because the Chicago Tribune said that it was an FDIC case, we said it was not an FDIC case. And we also said that from our records, this was the only involvement that we could have.

SEN. FAIRCLOTH: Well, don't you think it would be a good idea to hunt up the old FSLIC records and see what they might lead you farther? But I have a question, and then I'm going to -- (inaudible word).

The original suit was \$3.3 million. They settled it for 6 cents on the dollar, or \$200,000. What I want to know is how much was Mrs. Clinton paid, or the Rose law firm.

MR. HOVE: I can't tell you. I don't know that.

SEN. FAIRCLOTH: Can you find out?

MR. HOVE: We can try.

SEN. FAIRCLOTH: Well, I would like for you to let me know as quickly as possible how much the Rose law firm was paid, and also their work records to indicate who did the work to earn the money, because -- you say she worked two hours.

MR. HOVE: I didn't say that. I said the only thing that we can ascertain from the records we have was that she worked two hours. And let me remind you, Senator, that these records are disbursed from wherever FSLIC had the records, and we did not take possession of those

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records when FSLIC was closed down.

SEN. FAIRCLOTH: Are those records still available?

MR. HOVE: I don't know.

SEN. FAIRCLOTH: If she settled the lawsuit, the amount of hours she worked -- it is just impossible for me to believe she settled this lawsuit against Lassiter (sp), she signed the amended return, which was the settlement, the amended complaint, which was the settlement against Lassister, at a very favorable rate, then we turn around and find that Lassiter's -- the person with his power of attorney is back in the White House working.

MR. HOVE: Senator, the amended complaint reduced the complaint from 3.3 million to 1.3 million. The suit -- the settlement was some six months later. I don't know whether Mrs. Clinton had any involvement after that period of time in which she amended the complaint from 3.3 [million] down to 1.3 [million].

SEN. FAIRCLOTH: So we have no idea whether Mrs. Clinton made the final settlement totally.

MR. HOVE: I have no idea from our records and what we've seen --

SEN. FAIRCLOTH: And this two-hour thing -- she could have worked 200 hours.

MR. HOVE: What I have told you is what we have available at the FDIC.

SEN. FAIRCLOTH: But she could have worked 200 hours on it.

MR. HOVE: And all I'm telling you is that the records that we have indicate she worked two hours.

(Confers off microphone.)

Okay, the only records we have was that she billed FSLIC for only those two hours.

SEN. FAIRCLOTH: Billed who?

MR. HOVE: FSLIC. (Pronounces each letter.)

SEN. FAIRCLOTH: How about getting the total records from FSLIC and finding out how much the total bill was and whose time was billed? I'd like to see it. Thank you.

SEN. RIEGLE: Senator D'Amato?

SEN. D'AMATO: You know, Mr. Hove, I have difficulty if you really have trouble figuring out when a claim is initially lodged for \$3 million and then it is reduced and you say, well, you know, the law firm or this partner -- in this case, Mrs. Clinton -- only billed for two hours. But the nature of the work was such as to reduce that lawsuit and the potential

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liability to Mr. Lassiter (sp), who has a definite relationship with the Clintons. I mean, are we really to believe you don't understand that? Now, don't give me this two-hour stuff. I mean, the fact is that that claim was reduced -- the potential of the claim -- from 3 million down to a 1 million some odd, and therefore, a settlement of \$200,000 is much more reasonable in appearance when the initial -- when the suit is only asking for a 1.3 million as opposed to 3 million. Now, doesn't that make some -- I mean, do you see why a senator or anyone else would make an inquiry and say, "Look" -- I mean, what's the situation here? Are you telling us there was no conflict there.

MR. HOVE: But, Senator, you're asking FDIC, and FDIC did not have any involvement in that suit at that time.

SEN. D'AMATO: I'm not suggesting that. What I'm suggesting to you is that a period of time it came under you for review.

And if you look at this -- don't keep telling us that FDIC didn't have anything at that time. We're not suggesting that you did anything wrong. We're suggesting you take a look at the facts, take a look at the record, and you can be a school boy, you can't come to an inescapable conclusion that someone was retained to bring the lawsuit that had a relationship with the person that they brought a suit to. And as a matter of fact, whether it was two hours or one hour, the determination was made to reduce the claim that might bring the potential liability from \$3 million down to \$1 million and eventually settle for \$200,000. Now, we don't know who was responsible for the settlement. But the fact of the matter is that the partner who reduced and amended that complaint was Mrs. Clinton. Now that's obvious. I'm not going to spend my time going back and forth with you. I'm going to tell you something else, though. When we talked about the potential for conflict before, as it related to the Madison Guaranty and Mr. Hubbell, I want to refer you to a letter of June 8th, 1989. Now, Mr. Hove, you stated that since the Rose law firm -- when I first brought this up to you -- was suing Frost, it wasn't relevant that Web Hubbell's brother-in-law and father-in-law were suing Madison. Now, if you take a look at that letter -- and I'm going to suggest to you that you're wrong, and that's why you'd better have the IG look at this. June 8th, 1989, and it is written to April Breslaw (sp), Attorney, Federal Deposit Insurance Corporation. I'm reading part of it:

"Mr. Hubbell is the son-in-law of Seth Ward, a Madison insider who was able to obtain a judgment against Madison of approximately \$447,000." Now, I'm going to skip the next sentence, go down to --

"Since the conservatorship, the case has been removed and later remanded back to the State Court of Appeals. After appeal, a new trial will be sought, whether in state or federal court. At a minimum" -- it goes on to say -- "the state judgment will be attacked under various special FDIC defenses on its general inappropriateness. Miss Styrahorn (ph) has informed me that the informal -- the information contained in the audit files could be damaging to our case, especially if a new trial is granted."

It goes on and it concludes: "I offer this information because there appears to be a conflict in

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representation and a question of loyalties. Mr. Hubbell may or may not be able to compromise our interest in the Seth Ward matter." Now, look, I'm not suggesting that at that time that you know of it. Here it is. And that's why, if you don't refer something to the IG to clarify whether or not there was a conflict, you can't be doing the right thing. And for you to maintain, "Well, we weren't there at the time; it was at FSLIC" or "Maybe the rules were a little vague." I mean, for god sakes, you had lowly auditors saying, "Wake up, fellas." You had an auditor in another letter saying it's impossible to think that he's not going to tell his in-laws what's going on. So that's the kind of thing that brings about maybe the stamping that one of my colleagues alluded to.

Mr. Chairman, notwithstanding first of all I'm going to ask that we be permitted to submit some documents for the record that have been returned to --

SEN. RIEGLE: Without objection, so ordered.

SEN. D'AMATO: -- so we can keep an orderly proceeding.

Secondly, I want to say before I conclude that you could not have been fairer in making available this opportunity and according the members the opportunity to make their presentations and to ask their questions under very difficult circumstances. So I want you to know that. And I think that I speak for all the Republicans on the committee in relationship to the manner in which you have conducted this proceeding. And it's not easy for you, and I just want to commend you for your impartiality.

And let me conclude again. I think what we're interested in, in this, is seeing -- and Senator Domenici said -- that the process moves forward without there being interference, without there being a question as to what documents have been made available to the appropriate people, what has been taken. Some of these things have no -- I see Mr. Altman. He's placed in a very, very difficult position. I've said that publicly as well. It is a very, very difficult situation. And it certainly -- it leads to us raising the kinds of questions that we have. But I tell you this senator wants to see that what was supposed to be done was done, that what should be done at the present level is carried out in a manner in which everyone can say that the right thing was done. And then let the chips fall where they may.

So, Mr. Chairman, again, thank you for providing us an opportunity to put forth our concerns, and hopefully, this will move us a step closer to resolving this matter. Thank you. SEN.

RIEGLE: Thank you very much. We'll give you some questions for the record, and we'd ask you to respond to them. The committee stands in recess.

END

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February 1994

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JOHN D. PODESTA

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March

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3/9/1994

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X001047

Jean Lewis - Chief Investigator etc
 9 criminal referrals
 - sent Jean Rogers to DC
 3 wks ago
 - Last Friday: referred to
 US Atty = Little Rock

Sue Schmidt:

HRC + Rose Law retained
 4/85 by Melissa Guaranty

↳ that StL normally had
 another law firm represent them

- Sue Schmidt went to see Jean Lewis
 about investigation.

Jeff Genth:

Cashiers' Checks

In criminal referrals: checks April 4 & 5, 1988:

2 pay@ to BC

2 pay@ to BC Campaign

↳ each for \$3,000

BC is not a target of investigation, actually to get

⇒ wants to know who made endorsed checks

X001048

Checks deposited to Cherry Valley Bank

CEO is Maurice Smith
who owns bank + was BC-COS

USAtty looking into McDougal
— there was a criminal referral

involves 1986 \$3,000 loan from SBIC
= LR - run by judge under indictment

Current Gov of Ark - may be indicted.

Somehow Webb Hobbell named.

Gerth wants to know who endorsed checks?

Jeff Gerberish - little Red sq who was
in RC - now partner.

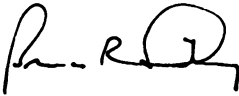
files Whitewater

Personal and Confidential

X001049

MEMORANDUM

To: File

From: Bruce R. Lindsey 

Date: October 20, 1993

Re: Whitewater Development Corporation

On Thursday, October 14, 1993, Bernie Nussbaum, Neil Eggleston, and Cliff Sloan of the White House Counsel's office, Mark Gearan and I met with Jack DeVore, Josh Steiner, and Jean Hanson of the Treasury Department. The purpose of the meeting was to discuss a telephone call that Jack had received the day before from Jeff Gerth of *The New York Times*.

Gerth informed DeVore that he is aware that a number of criminal referrals involving Jim McDougal and Madison Guaranty had been forwarded from RTC's Kansas City field office to its Washington office. (Apparently, the "normal" procedure is for a criminal referral to be sent from a field office directly to the appropriate U.S. Attorney's office. DeVore did not know why these referrals came to Washington instead.) Gerth stated that, to his knowledge, President Clinton was not a target of the referrals, although Governor Jim Guy Tucker might be.

One of the referrals, however, involved four cashiers checks -- each for \$3,000, two made payable to the Clinton for Governor Campaign and two made payable to Bill Clinton. The checks were dated April 4 or 5, 1985. All four checks were deposited in the Bank of Cherry Valley. Gerth wanted DeVore to find out who had endorsed the checks. (A check of our campaign records turned up three cashiers checks for \$3,000 each from J. W. Fulbright, Ken Peacock, and Dean Landrum, and a personal check for \$3,000 from Jim McDougal, signed by Susan McDougal.)

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DeVore confirmed with the RTC that the referrals had been received in the Washington office, but had already been forwarded on to the Little Rock U.S. Attorney's office. DeVore wanted to make it clear to Gerth that the referrals had been sent to Little Rock before his call. DeVore's inclination was also to confirm to Gerth the fact of the referrals. He indicated that such confirmation was normal procedure. We suggested that instead of confirming the referrals, DeVore should indicate "off the record" that whatever had been received in Washington had been forwarded to the U.S. Attorney's office prior to Gerth's call.

The RTC believes that the funds for the cashiers checks came from a loan from Madision Guaranty to a Republican, but supposedly the Republican was unaware that some of the loan funds had been diverted.

cc: Maggie Williams
Bill Kennedy
Mark Gearan

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| Telephone Log for GEARAN, MARK | | Page #: 1 |
|---------------------------------------|---|----------------|
| Telephone Calls from NUSSBAUM, BERNIE | | |
| 02/07/94 4:36 PM | NUSSBAUM, BERNIE Ph #:() -62632 Home: Other: Car: Fax: | Taken By: CHAD |
| <input type="checkbox"/> Answered | | |

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| Telephone Log for GEARAN, MARK | | Page #: 1 |
|--------------------------------------|---|----------------|
| Telephone Calls from ALTMAN, ROGER | | |
| 09/24/93 10:03 AM | ALTMAN, ROGER Ph #: (202) 622-1070 Home: Other Car: Fax: | |
| <input type="checkbox"/> Answered | | Taken By: CHAD |

X001053

Telephone Log for GEARAN, MARK
Telephone Calls from DEVORE, JACK

Page #: 1

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| 09/30/93 5:30 PM <input type="checkbox"/> Answered | DEVORE, JACK Ph #:(202) 622-0497 Home: Other: Car: Fax: | CALL BEFORE 6PM Taken By: CHAD |
| 10/03/93 5:28 PM <input type="checkbox"/> Answered | DEVORE, JACK Ph #:(202) 622-2920 Home: Other: Car: Fax: | Taken By: CHAD |
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Telephone Log for GEARAN, MARK
Telephone Calls from STEINER, JOSH

Page #: 1

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| 02/02/94 4:10 PM | STEINER, JOSH Ph #:(202) 622-0016 Home: Other Car: Fax: | Taken By: CHAD |
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SCHEDULE FOR Thursday 14 OCTOBER 1993

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| MARK GEARAN | POTUS |
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| 7:30A | 10:30- 11:30A |
| 8:00A | |
| 8:30A | 12:00- 1:00P |
| 9:30A | |
| 12:45P | 1:15P |
| 1:15P | 1:45- 4:00P |
| 2:15P | 4:05- 4:35P |
| 3:30P Meeting in Bernie's office Cliff, Josh S, Jack Devore | 4:45P |
| 5:00P | 5:30P |
| 5:00- | |
| 7:00P | |

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REDACTED

→ R/C, mention of Clinton's letter

2/10/84-

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X001058

Bruce
Altman - did 7

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Bob Dole

NEWS

U.S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER



FOR IMMEDIATE RELEASE
Thursday, March 3, 1994

Contact: Clarkson Hinn
(202) 224-9358

WHITEWATER-MADISON UPDATE

Dangerous Pattern Emerging in Administration's Handling of Madison-Whitewater Affair: Don't Mix Politics & Law Enforcement

According to Webster's Dictionary, the word "independent" means, and I quote: "Not subject to control by others...Not looking to others for one's opinions or for guidance in conduct."

I cite this definition because the last time I checked, the Resolution Trust Corporation is supposed to be an independent agency...Underscore the word "independent." Now, in light of recent press accounts, it appears that I may have to do some more research, or Webster's may have to revise its definition.

Last week, we learned that Roger Altman, the acting C.E.O. of the RTC and the No. 2 political appointee at the Treasury Department, met with White House political officials, allegedly to give them a "head's up" on the RTC's civil investigation into Madison Guaranty. Realizing his blunder, Mr. Altman subsequently--and very belatedly--recused himself from the Madison matter.

More Questionable Meetings

Today, we read that top officials at the Treasury Department, after the supposedly independent RTC asked the Justice Department last year to investigate possible criminal activity involving Madison, met twice with members of the White House Whitewater Brain-Trust--Harvard Munnbaum, Bruce Lindsey, and Mark Guran. According to news accounts, the Treasury officials gave the White House staffers a report on the "status" of the RTC's investigations and informed them that President and Mrs. Clinton were "named" in the RTC referral, though not accused of any wrongdoing.

Needless to say, the average American citizen who was either named in an RTC criminal referral or the subject of an RTC civil investigation would never have received such high-level cooperation from the very people charged with conducting the investigations.

Dangerous Pattern

A dangerous pattern seems to be emerging.

During last year's Travelgate fiasco, overly-eager White House staffers raised eyebrows by pressuring a top FBI official to attend a White House "political strategy" session, allegedly to coordinate a press response to the burgeoning number of media inquiries. Unfortunately, the supposedly independent FBI went along with this charade, changing an FBI press release to suit White House political needs.

Today, White House staffers are adopting a similar ploy, saying there was nothing wrong with the Treasury-White House meetings: we are told that they were simply sessions to "coordinate responses" to press inquiries about the RTC's investigations into Madison.

Questions of Judgment & Cover-Up

Now, that brings me to another word--"judgment."

In light of the recent news reports, it's becoming increasingly clear that good judgment is in short supply among White House and top Administration officials. No doubt about it, you're asking for big, big trouble, and showing some stunningly bad judgment, when you start mixing politics with law enforcement. It's only fair to excuse a mistake or two--we all make mistakes. But when bad judgment becomes the rule, rather than the exception--and when those involved don't admit their own mistakes--then it may be time for a little White House house-cleaning.

(more)

X001062

... And finally, a third word comes to mind--"cover-up." If the White House has nothing to hide about Whitewater, then why all the meetings? Why all the behind-the-scenes machinations? Why "negotiate" a subpoena to shield Whitewater documents from public scrutiny? And why put yourself in the dangerous position of being charged with compromising what are supposed to be "independent" civil and criminal investigations? Cover-up is a tough word, but the consequences of a cover-up can be even tougher.

Congress Has Responsibility - Can't Be Willing Accomplices

I don't know what to make of the recently-disclosed White House-RTC-Treasury shenanigans, but I do know that Congress has an obligation to ensure that supposedly independent law enforcement agencies are just that--independent. For Congress to punt on its oversight responsibilities is a disservice to the American people...and exposes Congress to the charge that we are willing accomplices to whatever Whitewater wrongdoing may have occurred.

FDIC Nomination on Hold Until Thorough Hearing of RTC & Madison

That's why Senator D'Amato, myself, and 41 other Senate Republicans yesterday wrote to the distinguished Majority Leader informing him that we will object to proceeding to the nomination of Ricki Tigert, President Clinton's nominee to chair the supposedly independent FDIC, unless the Senate Banking Committee has an opportunity to thoroughly examine the RTC's handling of its civil investigation into Madison. Today's shocking revelations only serve to underscore the need for such an examination...And, more broadly, for hearings on the entire Madison/Whitewater affair.

Remarks delivered on Senate floor, approximately 12:30 PM ET.

X001063

U.S. SENATOR

Al D'Amato**News
Release**

NEW YORK

Contacts: Washington • Frank Coleman • 212/776-4488 New York • Anna Maria • 917/741-1965

FOR IMMEDIATE RELEASE:
Thursday, March 3, 1994CONTACT: Frank Coleman
(202) 224-6498**REPUBLICANS DEMAND HEARINGS ON SECRET WHITE HOUSE BRIEFING****D'AMATO, DOLE LEAD 43 IN BLOCKING CLINTON 'PAL' FOR FDIC POST**

WASHINGTON -- U.S. Senator Alfonse D'Amato (R-NY) and Republican Leader Bob Dole today announced Republicans are blocking the nomination of Rikhi K. Tigert to head the Federal Deposit Insurance Corporation (FDIC) until the Banking Committee holds hearings on the secret Whitewater briefing given by the acting head of the Resolution Trust Corporation (RTC) to top White House staffers.

The GOP position was outlined in a letter to Majority Leader George Mitchell, signed by 43 GOP Senators, citing the "heads up" briefing acting RTC head Roger Altman gave about the agency's supposed independent investigation of Madison/Whitewater to White House Counsel Bernard Weissbaum, Deputy Chief of Staff Harold Ickes, Hillary Clinton's Chief of Staff Margaret Williams and Treasury General Counsel Joan Hanson.

Calling the meeting "highly improper," the letter said it raised serious questions about the alleged independence of the RTC's investigation and the interference of senior White House political operatives in a regulatory matter.

"The American people deserve to have confidence that the RTC conducts its business in an independent and impartial fashion," the Senators wrote. "A Congressional hearing is an appropriate forum in which to examine the important ethical and regulatory issues raised by the Altman-White House meeting."

The disclosure of the secret "heads up"--as Altman called it--about the status of the agency's investigation into the Madison Guaranty collapse came at an RTC oversight hearing last Thursday in the Senate Banking Committee.

Despite all evidence to the contrary, the White House has continued to maintain that the briefing was proper and that the same briefings were provided to Congress and the press.

Forty-one Senators is the number needed to effectively prevent action in the chamber.

A copy of the text of the letter is attached.

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United States Senate • Washington, D.C. 20510 • (202) 224-6542

X001064

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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-0076

March 2, 1994

The Honorable George J. Mitchell
United States Senate
Washington, D.C. 20510

Dear Mr. Leader:

We are writing to inform you that we will object to any agreement seeking consent to proceed to the nomination of Ricki R. Tigert, President Clinton's nominee to chair the Federal Deposit Insurance Corporation, until the Senate Banking Committee has an opportunity to thoroughly examine the Resolution Trust Corporation's handling of its civil investigation into Madison Guaranty Savings and Loan.

As you know, the Acting Chief Executive Officer of the RTC, Roger Altman, recently disclosed that he sought a meeting with White House officials to give them a "heads-up" on the RTC's investigation. Needless to say, such a meeting is highly improper and raises very real questions about Mr. Altman's impartiality and the alleged independence of the investigation. Specifically, why were Harold Ickes and Margaret Williams present, in addition to White House Counsel Bernard Nussbaum? According to the Washington Post, Mr. Ickes, the Deputy Chief of Staff, is responsible for Whitewater "damage control". Ms. Williams, Chief of Staff for Mrs. Clinton, had previously participated with Mr. Nussbaum in searching Vincent Foster's office and sending all or some of the materials to David Kendall of Williams and Connally who is representing the President and Mrs. Clinton.

We believe public hearings are required to explore these and other questions involving the attendance of political operatives at the White House in briefings by the head of a supposedly independent agency on matters that have nothing to do with the Executive Office of the President.

We regret having to delay the Senate's consideration of Ms. Tigert's nomination. Nevertheless, the American people deserve to have confidence that the RTC conducts its important business in an independent and impartial fashion. A Congressional hearing is an appropriate forum in which to examine the important ethical and regulatory issues raised by the Altman-White House meeting.

Sincerely

**THE WHITE HOUSE
WASHINGTON**

March 1, 1994

MEMORANDUM FOR FILE

**FROM: JOHN D. PODESTA
ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY**

**W. NEIL EGGLESTON
ASSOCIATE COUNSEL TO THE PRESIDENT**

**RE: WHITEWATER--TRANSCRIPT OF SENATE BANKING COMMITTEE
HEARING**

Attached please find the transcript of the testimony portion of the hearing before the Senate Banking Committee last Thursday, February 24, 1994.

The opening statements will not be available until the Committee releases the transcript.

W.N.E.

X001066

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FEBRUARY 24, 1994, THURSDAY

SECTION: IN THE NEWS

LENGTH: 26366 words

HEADLINE: HEARING OF THE SENATE BANKING COMMITTEE

SUBJECT:

RTC THRIFT DEPOSITOR PROTECTION OVERSIGHT BOARD SEMIANNUAL
REPORT CHAIRED BY: SENATOR DONALD RIEGLE (D-MI)

WITNESSES:

LLOYD BENTSEN, SECRETARY OF THE TREASURY

ROGER ALTMAN, INTERIM CEO, RESOLUTION TRUST CORPORATION

ACCOMPANIED BY:

ALAN GREENSPAN, CHAIRMAN, FEDERAL RESERVE BOARD

ANDREW HOVE, ACTING CHAIRMAN, FEDERAL INSURANCE DEPOSIT

CORPORATION JONATHAN FIECHTER, ACTING DIRECTOR, OFFICE OF THRIFT

SUPERVISION DIETRA FORD, EXECUTIVE DIRECTOR, THRIFT DEPOSITOR

PROTECTION BOARD 538 DIRKSEN SENATE OFFICE BUILDING

WASHINGTON, DC

BODY:

SEC. BENTSEN: Mr. Chairman, members of the committee, I have the Oversight Board members with me here -- Mr. Alan Greenspan, chairman of board of the Federal Reserve; Roger Altman, who's the interim CEO of the RTC. I've got Jonathan Fiechter, who's the acting director of the Office of Thrift Supervision; Andrew Hove, who's the acting chairman of the Federal Deposit Insurance Corporation. Also accompanying us is Dietra Ford, who's the executive director of the Oversight Board.

And I have a longer version for the record, but I'd like to summarize it, particularly with the lateness of the hour, if I might.

SEN. RIEGLE: We'll make your full report a part of the record, and we'd like your summary.

SEN. BENTSEN: Before I begin, and listening to the partisan exchange, let me thank the members of this committee for their bipartisan support last year, in the last session, to obtain the funding to finish the RTC job. I'm quite appreciative of that.

Let me tell you something you don't hear very often. We're not here to ask for more money. The funding -- (applause, laughter) -- the funding provided through the RTC Completion Act ought to be sufficient. In fact, they tell me this is the first time that the Oversight Board has been before you that it wasn't asking for additional money and funding. And I'm just very pleased to be able to inherit that honor.

X001067

I'm also happy to report that few S&Ls are failing, and 99 percent of private-sector thrifts are well or adequately capitalized. OVERSIGHT Let me review some of the numbers for you. Since the RTC was created in 1989, it's taken over 743 failed institutions and it's closed or sold 680 of them. In the process it protected nearly 23 million deposit accounts with an average balance of \$9,000. RTC made good on the government's guarantee of deposit insurance to millions of Americans nationwide. And, I might add, it did it with a minimum of disruption. A lot of the customers didn't even know that the RTC had taken over their S&L. The RTC also undertook the greatest liquidation in history, so far disposing of \$393 billion in assets for about 90 percent of their book value. Frankly, I couldn't believe that one. I made them go back and check it again for me. The RTC sold since its inception nearly 80,000 units as affordable housing. So at least tens of thousands of lower-income families have benefitted as this problem is being solved.

Now, crime is at the top of our agenda these days. We talk about violent crimes. Well, this scandal had criminals -- had white collar criminals. More than 1,500 persons were charged with major crimes involving S&Ls. Nearly 1,250 were convicted. And of those sentenced, more than 75 percent went to prison. And RTC has pursued several recoveries from wrong-doers with all involved agencies collecting nearly \$2 billion.

Mr. Chairman, when this administration took office the total cost of resolving the S&L problem was estimated at between \$100 and \$150 billion. When I testified just last March, we thought as much as 45 billion in additional funding would be needed. That was on top of the nearly 87 billion already appropriated.

A lot of people agreed with us. The Congressional Budget Office estimated 50 billion. The General Accounting Office had us around that level. And so did the House and the Senate budget committees. As RTC funding legislation moved through the Congress last year, constantly improving economic conditions resulted in record earnings for the S&L and the banking industries. By mid-November after lengthy deliberations in both houses, the funding bill provided \$18.3 billion, and that brought the total amount that's provided by Congress for the clean-up to \$105 billion, a figure on the low end of the estimate when this administration took office.

And I know the results could have been different -- easily. Depositors could have lost all their savings. Loss to the government could have been far greater, resolution of the problem could have taken much longer. But to the credit of a great many people, and they're seated in this committee, in addition, the problem is near resolution.

I'd like to give you some -- and I'd like to give some credit to the management of the RTC. And I think we'd sure better credit the economy. Deficit reduction has helped interest rates to fall. We've taken steps to increase the availability of credit, tackling unnecessary regulations and report requirements that discourage lenders from making loans to small business. And we'll continue to propose changes that will result in greater credit availability and efficiencies in the banking industry. This is why we want to sell a number of issues, including passage of the community development financial institutions legislation, which includes a balanced reduction and regulatory reform. I'll be before this committee next week with specifics on the

administration's proposal to reform and simplify the regulatory structure for depository institutions. Our proposal not only will eliminate unnecessary regulatory expenses which could result in the availability of greater credit, but as importantly, it can help avoid new crisis by putting a stop to inconsistent and confused regulation. But we'll talk more about that next week. But the point I want to make on deficit reduction is that the market responded, the economy responded. Housing starts and home sales are up, and that's sure good news when you're the RTC and you're trying to dispose of property. I can't help think back what a dramatic difference interest rates make. I used to chair a savings and loan. Sure glad I sold it when I came to the Senate. (Laughing.) But I'll tell you, not smart, just lucky! But I'll tell you -- (laughter). But I'll tell you, when you've got your mortgages at one rate and all the sudden long-term interest rates go substantially above that, you've got yourself a real problem in an S&L. And when you've got the government saying we'll guarantee the first 100,000, and you've got a small, new S&L, and then they have Wall Street bundle up hundreds of billions and send it to a little S&L. We saw that thing happen in Vernon, Texas. A good example of that. And then you see the others who are honestly trying to compete and what a hold it puts on them. Fortunately, we're seeing things go the other way with this substantial reduction in interest rates.

And I want to say to you, Senator Bennett, I've seen some of what you're talking about, too, where sometimes they were overzealous. And that balance is in part the concerns of what Senator Boxer has for those that have been ill-used and guilty of malfeasance. But lower interest rates and increased credit activity have brought about increased earnings for all types of financial institutions. Many S&Ls that may have been at risk are now making profits. But you and I know we can't predict what's going to happen between now and '95 when the RTC goes out of business. Nobody foresaw the floods and the earthquakes, and they had their economic consequences. We're not done yet.

Through '95, RTC must continue to protect depositors. They must dispose of some very hard-to-sell assets. And it must ensure its operations run effectively. It must work toward an orderly transition of its responsibilities to the FDIC. And it must never lose sight of its mandates to provide affordable housing and maximum minority participation, including implementation of provisions of the RTC Completion Act.

I've urged the RTC to work aggressively on the issue of minority participation. It's imperative that minority- and women-owned businesses have an ample opportunity to win contracts, to purchase assets and to acquire failed thrifts. In fact, the RTC is taking special care to meet the requirements of the completion act to provide preferences to minority institutions while applying the least-cost test.

Let me be more specific on some of those things I mentioned. The RTC has begun resolve 63 insolvent institutions now operating in conservatorship, which about 2.3 million deposit accounts. Some additional institutions may be transferred this year. If so, the RTC will make good on the government's guarantee to those insured depositors and any others who might yet fall under its jurisdiction.

Insofar as the remaining inventory of nearly 64 billion assets -- \$64 billion in assets, these, as

you said earlier, Mr. Chairman, are the most hard-to-sell properties that are left: real property and non-performing mortgages. While the improved economy helps sales, the potential loss to the taxpayers could be reduced if these assets are managed and sold efficiently. The RTC is working on improving its marketing and sales strategies and is seeking creative, yet sound techniques to maximize returns.

To fulfill its remaining mission, the RTC will benefit from good managers. Jack Ryan of OTS was appointed deputy CEO. Ellen Kukla (sp) of the OTS has been appointed general counsel. And Tom Horton has been promoted to acting senior vice president for asset management and sales. And I can tell you today that the administration expects to submit its nomination for a permanent chief executive shortly.

I thank Roger Altman for the service that he has done as the interim CEO. His term expires the end of March, and we hope by then to have a candidate. In line with the RTC Completion Act, Jack Ryan will serve as the interim CEO between the time Mr. Altman's term expires and the permanent CEO is confirmed. The Oversight Board will also make some appointments to the audit committee, which will be in operation soon.

I've asked Frank Raines (sp), vice chairman of Fannie Mae, to chair that one, and to serve as members we asked Jonathan Fiktar (sp) of OTS, Robert Larsen (sp), vice chairman of the Taubman (ph) Company and a former member of the Oversight Board. Mr. Larsen (sp) has also been renominated to serve on the Oversight Board, and I hope you'll be able to approve his nomination soon. The RTC will close down on December 31, 1995, one year earlier than originally thought, and planning for that is well underway. I expect the new management to work with the people at the FDIC in a cooperative way to carry out the transition of the RTC to the FDIC.

This past year the Oversight Board has also strengthened our staff reviews. I was being reminded of my testimony of last year and the recommendations and the improvements that we sought to bring about. We have done a number of them. We haven't completed them all. We're obviously still working at it, and we're scrutinizing some.

For instance, our staff has been monitoring the RTC's efforts to improve its contracting systems and its oversight. A review is being conducted to make sure policies are applied uniformly to all contractors and that contract oversight procedures provide effective review of performance. Another example: The staff has focused on the RTC's financial operating plan, its operating budget and all its borrowing activity, and our advisory boards are taking hard looks at the policies governing asset sales. Late last year, Ira Hall of IBM USA was named chairperson of the National Advisory Board, bringing considerable financial expertise and private sector expertise to that process.

These boards meet regularly at sites nationwide to discuss progress and to hear testimony from witnesses on how these regulations and procedures affect different parts of the country. The RTC listens to their advice, and they have been instrumental in advancing affordable housing opportunities. Our advisory board structure will change this year.

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The Completion Act created a new affordable housing authority board to replace the National Housing Advisory Board. That new board will be made up of nine members, including the secretary of HUD. They will be providing advice on affordable housing programs, and how to merge RTC programs with the FDIC programs after the shutdown, and we're looking forward to working with them. Now, last year at this hearing, as I said, I announced those ten goals insofar as improving or reforming RTC management -- things like putting in place a system to ensure prompt follow-up on findings of the inspector general and the General Accounting Office, strengthening the contracting system and oversight of its private sector contractors, appointing a chief financial officer. The RTC Completion Act mandated and expanded on those reform, and RTC is moving to meet the standards that Congress determined and set.

I'm pleased with the results, and in a minute, I'd like Roger Altman to discuss them with you one by one. I hope you especially note what we've done on opportunities for minority- and women-owned businesses and in strengthening our internal accounting and administrative control systems. I personally believe that these programs are an important part of RTC duties and that this is an area it must continue to focus on to ensure legislative mandates are carried out. And Mr. Chairman, let me end on this. I believe that the RTC has made significant progress in the past year in achieving its mandates and in addressing the concerns that you folks in the Congress raised, concerns by the GAO and by the oversight board. You bet there've been a lot of problems, but the organization has been relatively free from partisan conflict. Republicans and Democrats alike have been committed to fulfilling the government's obligations to protect depositors at the least cost to the taxpayers. In '94 we'll keep working at that one, and looking to '95, well, I believe the RTC will be more than happy to be out of business. I sure will be happy. Thank you. Now let me turn it over to Mr. Altman.

SEN. RIEGLE: Mr. Altman, we'd like to hear from you now.

MR. ALTMAN: Thank you, Mr. Chairman. I, too, have a longer statement which, with your permission --

SEN. RIEGLE: Without objection.

MR. ALTMAN: -- that I hope would be entered into the Record, and I'll summarize it here. This is probably the final time I will appear before the Congress in any RTC capacity. Under the terms of the Vacancy Act, my appointment would expire on March 30. There are limited circumstances under which that could be extended, but I don't believe they will apply. As Secretary Bentsen said, it's our intention to nominate a permanent chief executive as soon as possible.

Last year we chose I think a fine candidate, Stanley Tate (sp). He withdrew, which was not at our urging, and I believe he would have done a good job. I also want to join with Secretary Bentsen in thanking the entire committee for its bipartisan efforts to secure funding through the completion act passed late last year.

I'd also like to note that the RTC has taken special efforts to be responsive relative to the

X001071

California earthquake. Foreclosures in those effective areas have been delayed, home owners are being helped to avoid delinquencies on mortgages held by the RTC, and we notified FEMA of 54 multifamily units and 47 single family residences that can be made available for temporary housing. Now, on to the status report.

Mr. Chairman, the S&L collapse required the biggest financial rescue probably in world history. Including money spent by the FSLIC beginning in 1988 it's expected to cost the American taxpayers the staggering sum of about \$150 billion. To put that into perspective, at today's budget levels that's equivalent to about 45 years of Head Start, about nine years of Aid to Families with Dependent Children. And at a time when we all struggle to finance federal support of vital activities from national security to education, these are sobering comparisons. I'm sure all of use would agree on a bipartisan basis to make every effort to ensure that such a fiasco is never repeated. When we inherited responsibility for this agency, it was not in sound condition. It was one of the largest contracting organizations of all time. But it had poor contracting procedures. It was selling assets in massive blocs, denying local investors a shot at local properties which they knew best. And despite being larger than almost any American financial institution in the private sector, any bank or any securities firm, it had no full-time chief financial officer, no permanent general counsel, and it had no business plan. So we determined to concentrate on repairing the organization and when Secretary Bentsen first testified before this committee, almost exactly a year ago, he outlined a series of management reforms to which we committed ourselves, and I'd like to very quickly just review some of those. A full-fledged review of all 21 of them is appended to my statement.

Contracting. We found that the agency's contract award procedures had often been violated in the past, and our first action there was to mandate compliance. Some of the compliance problems reflected weak organizing principles. Contracts were often let by the same employees responsible for overseeing them. Obviously, in the event of a compliance problem, the employee then had little incentive to draw attention to it. So the Office of Contracts has been reorganized into two separate units; one for contract solicitation and award, and another for contract administration, to avoid conflict, and the scope of contracting oversight has been substantially expanded. Among other things, the staff there has been more than doubled, and reviews of nearly 500 outstanding contracts were undertaken last year.

Next, audits. A new reporting system has been implemented to ensure that management responds to the concerns raised by auditors. And that system now tracks and updates the status of all inspector general, GAO and internal RTC findings and recommendations. And I'm pleased to say that the RTC today is current in following up on almost all GAO and OIG findings. Business plan. We completed a comprehensive business plan. We provided copies of that to this committee. It is a highly detailed and, I think, objectively speaking, good piece of work. It's intended to be a living document and we're going to update it regularly as conditions warrant.

Chief financial officer. Donna Cunningham, our chief financial officer, has been on board for about eight months. She's taken that helm very ably, as reflected in a series of improvements in the internal controls in the organization.

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The professional liability section. This has been a particularly troubled area of RTC operations. There have been complaints from both sides of the spectrum, as the comments already here today illustrate; complaints that the RTC was unfairly pursuing former S&L directors who had no real roles in those organizations and, on the other side, complaints that the RTC was not sufficiently zealous in pursuing the real crooks.

As GAO recognized in its mid-'93 report, the primary problems have involved inadequate staffing and an overall lack of experienced attorneys and the temporary nature of the RTC has made it particularly difficult from a recruiting point of view. But we have worked hard to increase the size and the training of the staff in this area. We currently have the highest total of attorneys on board in the agency's history. Moreover, senior RTC and FDIC officials are planning to merge the RTC unit here, the PLS unit, with its counterpart in the FDIC, recognizing that the FDIC is a source of experienced attorneys in this area.

I also want to say that effective prosecution of PLS claims continues to be one of the RTC's highest priorities.

Secretary Bentsen referred to our having formed an audit committee and appointed its members. We have also established a joint coordinating committee with the FDIC for purposes of planning the transition or portions of the RTC back into the FDIC by the end of '95.

I'd like to make a special set of comments about expanded opportunities for minorities and women. That's been one of our highest priorities, as Secretary Bentsen said. First of all, we elevated the minority and women's program to the divisional level, put the head of it on the executive committee reporting directly to the CEO. We took action to expand the number of minority- and women-owned businesses receiving RTC contract solicitations. And there are now more than 1,100 of them in our database.

Let me say a couple of words about the record. On a cumulative basis since inception of the \$3.7 billion awarded in nonlegal fees, \$800 million have been awarded to minority- and women-owned businesses, 21 percent. Take a look at last year. We paid nonlegal fees of \$500 million. Minority- and women-owned businesses received 31 percent of those. We also encouraged efforts to encourage the use of minority- and women-owned law firms on the legal side, as far as legal fees are concerned. Last year, such firms received \$54 million, or 13 percent, of all legal fees from us, a big increase over the '92 level. And within the category of minority- and women-owned law firms, minority-owned law firms received \$36 million, far above the \$23 million of a year before. I think the entire RTC is quite proud at the sharply increased levels of minority and women's participation in all of the fee-generating activities of the agency, and details on that are also appended to my statement. Turning briefly to operations and financial issues, Secretary Bentsen cited a series of statistics relative to the amounts of institutions which have been resolved since inception. To me the most important statistic is \$9,000. That's the average balance in institutions which have been resolved. And for those who think this has been a bailout of the rich and famous, I think that's a pretty telling number.

X001073

We have 63 institutions under conservatorship today, \$18 billion of deposits. Now that the Completion Act is law, we're in the process of marketing these remaining conservatorships. We think these 63 will be resolved, Mr. Chairman, by the summer of this year, and it should cost \$9 billion to \$11 billion to do that.

On the asset sale side, we exceeded the targets we initially set last year. Book value reductions, \$63 billion; cash proceeds, 76 percent of that. That's a recovery rate below previous years because now we're down to poorer-quality assets, hard-to-sell assets. For this year, '94, we expected to reduce the book value of our inventory by \$43 billion, cash proceeds \$29 billion, projected recovery rate, 66 percent.

Now, on this asset sales side, one of things we did was to put in place a small investor program because, if I've heard anything in this past year in this capacity, it was that local investors were not -- did not have a shot at local properties which they knew best. So we took steps to ensure that assets would be available for sale individually to small investors with moderate levels of capital. Under this program, individual offerings of real estate properties have been emphasized. Underscore "individual." Auctions and sealed-bid sales have become more frequent and geographically focused. Smaller loan pools are being offered to allow buyers to purchase smaller, more geographically segmented groups of loans. And I'm pleased to say that at the most recent non-performing loan auction, in August last year, a third of the winners were new buyers who had not participated before, and the new bidders, overall bidders were for the most part smaller companies with a much higher preference for small loan pools and were most interested in buying geographically-focused loan packages located in their own areas.

Affordable housing -- Secretary Bentsen noted this -- since inception we've sold over 77,000 units, for a total of \$1.2 billion. The average annual income of households purchasing in that program has been about \$24,000, which, by the way, is 61 percent of the national median family income. Finally, Mr. Chairman, the issue of whistle-blowing.

As was noted earlier, last September this committee held oversight hearings where a variety of allegations were made, including retaliation against whistle-blowers.

Now, let me emphasize in the strongest terms, we support protections for whistle-blowers and have taken several actions to address those allegations. I issued a memorandum on October 4th to all RTC employees strongly reiterating our policy of prohibiting retaliation against whistle-blowers. We established an employee ombudsman program to augment the efforts of the inspector general in gathering all types of employee allegations. That ombudsman reports directly to the CEO on a weekly basis, and I think that program is working pretty well, because as of February 15th we'd received 116 inquiries, 96 of which had been closed and 20 of which were still pending.

We also had conversations in person and by telephone with six of the individuals who testified here before this committee. And during these interviews we solicited comments, feedback, and suggestions from them on how best to remedy the problems which they raised. And a number of those interviews were insightful and have been taken into account in our

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efforts to remedy some of the management problems at the RTC. And I just want to underscore how seriously we have taken these allegations and that hundreds of hours have been spent working to understand and resolve them.

In closing, the Completion Act requires the RTC to terminate on December 31st, 1995. We will make that, there is no question that we will make that, and I think it will be a happy day for all concerned, especially the American taxpayer. Thank you.

SEN. RIEGLE: Thank you very much. We're going to now proceed with the questions, and we'll go with the normal five-minute time periods.

Chairman Greenspan, let me start with you. The Federal Reserve, of course, has raised interest rates earlier this month, and you just indicated publicly again that further increases are likely. And we know in the past that rising interest rates have had the effect of causing significant problems for thrifts. Now, obviously, the amount is highly relevant. But my question to you would be what effect are these higher interest rates likely to have on the RTC and, for that matter, on the future health of the thrift industry, which is still trying to work its way back?

MR. GREENSPAN: Mr. Chairman, I think you raise a very important question, because one of the lessons of this whole experience has been that we have -- we've put into place in the early post-war years an institution which was a specialized institution, one which could not function in a period of significant inflationary imbalances, an institution which had long-term assets and short-term liabilities. And, as the secretary indicated, when interest rates generally go up that institution is pressed as, indeed, we saw in an extraordinary sense in the period 1979-1980.

One of the things that is very important that we not allow to happen again is that extraordinary type of inflationary imbalance which was so destructive to those types of institutions. To be sure, savings and loans as a consequence of that have restructured their balance to a significant extent and the maturity mismatch is not of the size that it was previously.

Nonetheless, should interest rates rise significantly, then I think it does put those institutions in a very difficult position. It's been the concern of the Federal Reserve that we endeavor to fend off any such types of inflationary instabilities, and the actions that we took -- we took on February 4th, and the general discussion which I outlined to the House Banking Committee's subcommittee in trying to comprehend the type of problems that may be out there, were put forward precisely to prevent the types of difficulties which so debilitated the savings and loans.

To date, the effects on these institutions, of course, have been minimal, and we don't expect to see any particular problems emerge on that, but I would like to call -- ask my colleague, Jon Fiechter, what he sees, he's looking at these institutions in a much more detailed way than I.

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MR. FIECHTER: I would echo what Chairman Greenspan said. One -- well, first, clearly a major risk in the thrift industry, given the nature of the business, is interest rates, but a real difference between the thrift today versus the thrift of the late '70s that ran into so much difficulty when the -- there was the rate (spike ?) in the early '80s, is that restructuring both of assets and liabilities, there are a lot of thrifts now that won't hold fixed rate mortgages any longer because they went through the early '80s. Also, as a consequence of (rate Q ?), institutions are able to much better manage their liabilities. As you know, Mr. Chairman, as a consequence of FDICIA, OTS has spent a lot of time on interest rate risk. We have a fairly extensive model, and in anticipation of a question such as this, I asked the staff based on the information the thrifts now provide what would be the effect of a 200-basis-point increase in interest rates if it were to happen as a shock -- sort of an across-the-board increase, but I don't think we're talking about that type of change. Only ten institutions would fail their current capital requirements.

None of them would go below 2 percent capital, however. And while it's a very uncertain world we live in, the analysis that we've done has suggested that at least in the numbers that we're talking about today, the thrift industry is in a much better position to handle rate increases going forward.

SEN. RIEGLE: I think that's an important response because I think it shows as well that in re-engineering, through FIRREA and then FDICIA, the arrangements that the general strategy is working. Now, if we get overtaken by, you know, events that were to drive interest rates above 200 basis points then we're into a different zone. But let's hope we're not going to deal with that. Chairman Greenspan, let me ask you one other question. This issue has obviously gotten a lot of attention here this morning. Are you satisfied with the way the Madison Guaranty issue has been handled by the RTC?

MR. GREENSPAN: The oversight board has, as far as I'm concerned, had no relationship with the Madison issue because that is a special case which is handled by the RTC directly. And I must say, I have not followed it in any manner which would enable me to address the question in a useful manner for you. SEN. RIEGLE: Senator D'Amato?

SEN. ALFONSE D'AMATO (R-NY): Thank you, Mr. Chairman.

Mr. Hove, on August 10th, 1989, there was a letter written to Mr. John O'Donnell by a Ken K. Schenck (sp). He's a credit specialist. I don't know whether you've seen this letter in your reviews of this whole matter, but just let me read you the last paragraph.

"In the process of our suit against Frost & Company, we will most certainly examine practices and procedures Madison Guaranty used in the day-to-day operations. We are making this information available in detail to Mr. Hubbell." Now listen to this sentence: "To believe that none of this information will make it back to his family is naive. I do not know whether or not any information upcoming will be damaging, however, I would like someone with a wider scope of authority to review the situation and possibly eliminate this conflict." Here's a credit specialist who's telling you what the real world is about. He was there.

Now, let me go on. In the report released by the FDIC -- eight pages of what I think is the

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most incredible whitewash of Whitewatergate that I've seen. This is incredible -- incredible. And I've spoken to you just briefly before and I told you what I'm going to ask you. Page six, the bottom: "In addition, we have found no evidence that the firm had a close relationship with the S&L which might call into question its independence."

I mean, I have to tell you, given the information that your people were reporting back to Mr. O'Donnell, FDIC S&L project area coordinator, August 10th, 1989, given this incredible -- I'd say the FDIC makes an assertion that the Rose Law Firm did not maintain a close relationship with Madison Guaranty. That's incredulous in light of the fact that they had a monthly retainer with them for 15 months for several years earlier. I mean, how do you come to this conclusion?

Now let me ask you one other thing. Is it true that no documents were reviewed as part of the FDIC's internal review which was conducted by your law department? Is that true?

MR. HOVE: Let me respond to your question in the order that you gave them. You first talked about Mr. Hubbell and his relationship with the suit -- with the Frost accounting firm.

SEN. D'AMATO: Have you seen this memo?

MR. HOVE: I have not seen that memo.

SEN. D'AMATO: Let's have staff give a copy of this memo to Mr. Hove, please.

MR. HOVE: Let me respond to that.

SEN. D'AMATO: Would you like to look at that last paragraph and let me know whether or not your people, in conducting this review have seen this? It goes back to 1989. And the person who sends it says it would be naive to think that Mr. Hubbell would not pass this information on to his family.

MR. HOVE: But let me respond by saying that even if he had the issue between Mr. Ward, who is Mr. Hubbell's father-in-law, and the Madison Guaranty had been already decided, and Mr. Ward had a judgment at that time against Madison. That case was on appeal, and therefore, any information that Mr. Hubbell could obtain, even if he would obtain it, and give it to his father-in-law would not be admissible, would not be in the appeal process, even if he had had the information to give to him.

SEN. D'AMATO: Mr. Hove, did you ask you, did read page six, the bottom of your report? Because we don't have much time. So I'm going to -- it says, "We find no evidence that the firm had a close relationship with the S&L." Do you really believe that to be the case? Do you really believe that a monthly retainer that Hillary Rodham Clinton had did not establish a close relationship? Are you really suggesting that there was none?

MR. HOVE: Her relationship --

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SEN. D'AMATO: Is that credible in light of what you know? MR. HOVE: Her relationship with Madison was on an issue that was in a state agency and not with the federal government. It was not with the FDIC. And our case was not against Madison. Our case was against the Frost Law Firm -- or over the Frost accounting firm.

In addition, we find no evidence that the firm had a close relationship with the S&L, which might call into question its independence. I mean, are you serious? I mean, that is a conclusion that was made. Let me tell you, it was made by your legal department. Let's go into something else. As part of last year's RTC Act, we have an inspector general that was created in the FDIC. Was the FDIC inspector general involved in this review?

MR. FIECHTER: No, sir. The review was started at your request, if you recall. I had indicated to you in my confirmation hearing that we were undergoing a review by our legal division as to what was the policy, the conflict policy that may be in effect between the Rose law firm and the FDIC in the lawsuit that Rose was doing for the FDIC against the Frost accounting firm. SEN. D'AMATO: Let me ask you this. Do you plan to ask the inspector general's office to analyze the procedures used by the FDIC legal staff in conducting this internal review and in essence to review this matter?

MR. FIECHTER: I would do that if the committee requested that. SEN. D'AMATO: Well, I'm requesting it, and I would suggest that you didn't need -- you wouldn't need the committee to ask you to do this. I'd suggest to you that it's your job to do it. I'd suggest to you that when you have such obvious areas of conflict in this report, when you're saying that there was no close relationship, when you're suggesting that Webb Hubbell would not and was not in the position to give any information to his father-in-law, that is incredulous. And if you don't have an inspector general looking to something like this, then what do you have him for? And what do you have? You have staff people who are going to make -- who make this kind of determination?

Now, I have to tell you you will be doing yourself and the FDIC, I think, a great, great damage if you just think that you're going to let it rest on this eight pages of sophomoric, legalistic mumble jumble that doesn't hold water. And I've just looked at this report. I've seen some occasion to see it in the newspaper. This is the first time I've had an opportunity to review it personally this morning, and it's shockingly inept.

Now, question. Do you intend, not by way of this committee instructing you, to put this matter, and don't you think it's appropriate that it be submitted to the inspector general? Yes or no?

MR. FIECHTER: Senator, we've been reviewing this to review our procedures, to review our procedures with conflicts, with conflicts not only with the Rose law firm but every law firm that we deal with. And our procedure is to deal not only with the actual conflicts but also to deal with the appearance of conflicts. And in this case had we done that, had we dealt with the appearance of conflicts, it is likely that the appearance would have been different -- the conclusion may have been different. But Senator, this has been several years ago. At that time we had many cases coming in to us as a result of the savings and loan failures, and the conflict, under the rules that we were dealing with at that time, did not present any conflict of interest from the Rose law firm suing the Frost accounting firm.

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SEN. D'AMATO: It's what we're doing today. Today you're saying there may be a conflict back then because they didn't have clear rules spelled out. Today you're saying there may be a conflict back then because they didn't have clear rules spelled out. Now let me tell you whether it smells today -- and it smelled then -- I don't want to get into this legalese that maybe -- I want to know if you're going to ask the inspector general to review this matter. That's a question.

MR. HOVE: I will do that if committee requests it.

SEN. D'AMATO: Well, Mr. Chairman, I would at this point in time move that we ask that this matter be reviewed by the inspector general. Now this is not going to interfere with any federal prosecution that's taking place, but it's a question of ascertaining whether or not we're getting the facts. It's a question of whether or not legal counsel has analyzed all the documents. I don't know -- I read in one news account that says that no documents were received as part of the FDIC's internal review. I don't know whether that's true or not, but that's certainly something I intend to pursue.

SEN. RIEGLE: Yeah, let me just respond to your question because the time is up and I want to stay within these time periods or we'll -- we won't be able to move any at all here in an efficient way.

Let me take your request under review. I'm not sure but what a request from a single senator may be sufficient to -- in asking for an inspector general review. I don't know without sort of looking at our past practices and precedents, but let us research that question.

SEN. D'AMATO: Let me thank you for the manner in which you've handled it, but I have to tell you something. I'm wondering why when I asked you a question, yes or no, would you undertake this -- and Mr. Hove, before you answered, the fellow behind you with the glasses who has got a lot of hair I wish I had, you know, came up and told you what to say. Now, can I ask what is your title and what is your responsibility?

MR. : The acting general counsel.

SEN. D'AMATO: You're the acting general counsel. Well, you know, sir, whether or not you're going to ask, it seems to me for this to be reviewed is a matter if you see that the propriety of this report, the integrity, the correctness of it can be substantiated. And it would seem to me that you'd want to do that.

MR. HOVE: Well, let --

SEN. D'AMATO: It would seem to me that without counsel coming to you and saying whether -- you know, you can wriggle out by saying that the committee has to ask. And I appreciate the chairman's response, I really do.

But I just want to make that observation, Mr. Hove. I find your response totally unacceptable.

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MR. HOVE: Mr. Chairman?

SEN. RIEGLE: We'll let -- I want to move ahead to Senator Kerry, who is next, and if you want to make a response, certainly --

MR. HOVE: Yes, I would like to, and first of all, all the documents, everything that we have discovered is available to the special counsel, and we will make that available to the special counsel. I will commit to you that I will ask the inspector general to undertake an investigation.

SEN. D'AMATO: Thank you. Thank you very much. And I think you have done the administration a service, yourself, the FDIC, and I applaud you for that. Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Kerry?

SEN. KERRY: Mr. Hove, you were originally appointed to your position by President Bush, weren't you?

MR. : That's correct.

SEN. KERRY: So you're a holdover from the Bush administration then. There's no special affiliation you have with President Clinton, is that correct? MR. : That's correct.

SEN. KERRY: I think it's a fair issue always as to what the level of review is, as to any institution, if it takes place. And I've certainly shared a public expression of concern about what the inspector generals have done or not done. But I would like to see, if it's going to be done, as to Madison, I really want to see it done as to Columbia and as to some of the others. I just think we ought to cover the board here.

Secondly, I want to point out the distinction here which we keep missing. And one of my colleagues earlier said if this were President Reagan who did this and it was Silverado and so forth, we'd be screaming. Those were sitting presidents who made sitting decisions regarding a policy at that moment in time that cost the taxpayers a lot of money. There is no sitting presidential decision here, there is no issue of presidential policy here. There is no issue of taxpayers being cost money by an action taken by the president of the United States at this time. This happened in 1982 and 1986, before they became president. Now, an individual died and there's an investigation into the death of that individual and what may or may not happened is a fair question with respect to the death. And that's being investigated by the first special prosecutor of an opposing party that I can think of in my public memory in public office that's been appointed. That is the clear distinction here. And it is a very real distinction. No taxpayer money, no public issue of policy, no decision of a sitting president of the United States with respect to what this committee has oversight on and is here for today.

The question is legitimate: what took place, were there relationships previously -- these are

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important as to all these banks. And it is fair for the special prosecutor to proceed on that, and it is even more important that this committee guarantee down the road that we investigate everything. I'm not sitting here saying something may not have taken place. In point of fact, there may be some indication that some folks outside of the White House may have some questions to answer. But there is no evidence whatsoever with respect to policy or taxpayer money or any decision made by the president of the United States that warrants this kind of inquiry.

Now, let me ask you, if I may, Mr. Altman, and Mr. Secretary, perhaps you can share with me, because one of our concerns is not just Madison but a whole lot of other institutions. I think 42 percent of the total losses fall in Texas alone. And there's a serious question about professional liability with respect to those institutions. I'd like to know, to date, what is the total amount of money recovered to date from directors or officers of these institutions nationally?

MR. ALTMAN(?): \$640 million, senator.

SEN. KERRY: Six hundred and forty million?

MR. ALTMAN(?): From institutions -- from institutions.

SEN. KERRY: And that's recovered through liability cases. MR. ALTMAN(?): Those are criminally related recoveries.

SEN. KERRY: What about civil? Is there any at this point? MR. ALTMAN(?): In addition to that figure I gave you, about \$745 million from civil-related recoveries.

SEN. KERRY: So we have in fact recovered to date a billion three, is that correct? It's not insignificant.

Can you break down where that has taken place? It's my understanding 42 percent of the total cost of bailout was Texas. Is there a corresponding recovery rate or any kind of rate you could give us as to where the most money came from?

MR. ALTMAN(?): I don't have information with me, senator, on state-by-state breakouts, and I don't know whether --

SEN. KERRY: Would it be possible just to get that at some point in time? MR. ALTMAN: We'll be happy to do our best to do so.

SEN. KERRY: I think it would be good to have a sense of that. It's my understanding that you were going to take a look at this question of sort of why the recovery rate may or may not have been low. Have you been able to draw any conclusions as to that? I mean, one of the things I heard is that a lot of the attorneys who came on believing that they were going to be able to engage in recovery grew so frustrated at not being able to do so in the early years that they left. I don't know if that's legitimate or if you've found other reasons, but could you

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share with the committee what, if anything, you may have discovered with respect to the recovery process?

MR. ALTMAN: As I said in my opening comments, the entire PLS area has been a troubled one, and there have been complaints from both ends of the spectrum about overzealousness and about inadequate pursuit. And we've had as GAO in its report noted a high degree of turnover and difficulty retaining -- recruiting and retaining experienced attorneys because of the temporary nature of the RTC. After all, here we are with less than two years to go.

SEN. KERRY: Currently that's true. What about in eighty -- what about in the early stage -- late -- late '80s?

MR. ALTMAN: Well, of course, the RTC has always been intended to be a temporary agency, and I'd just refer you to the GAO report which concluded that that was a particular problem. And as I've mentioned, we've made a series of efforts to strengthen that, the most important of which is to hire a very good and very strong general counsel.

When we inherited responsibility for the RTC, despite its being such a large institution -- as I said, larger than almost any private financial institution in the country -- it didn't have a full-time general counsel. And that's a very important step we took. We've also got more PLS attorneys on board today than ever before in the history of the organization. So we're making every effort to try to fulfill all the responsibilities we have in this area. I don't think there's any way to know, senator -- or if there is, I don't know -- whether -- or what percentage of recoveries that have been made compared to the potential that an ideal effort, a perfect effort would have obtained. I don't -- I don't know the answer to that.

SEN. KERRY: Okay. My time is up. Thank you very much, Mr. Chairman.

SEN. RIEGLE: Thank you much, Senator Kerry.
Senator Bond is next.

SEN. CHRISTOPHER S. BOND (R-MO): Thank you very much, Mr. Chairman. Mr. Altman, are there special measures taken when in the resolution of a failed thrift you find it to be affiliated with a high profile individual? Someone in government, for example?

MR. ALTMAN: The procedures, Senator, which the RTC follows are intended to be identical in each case, and they certainly have been identical in the case discussed this morning.

SEN. BOND: After you discovered that the president of the United States's name might be mentioned in a criminal referral being made by your agency, did you take any steps to ensure that documents created in the case were protected and preserved?

MR. ALTMAN: When the possibility of a criminal referral was brought to me, I took one step, and that was to instruct all the relevant RTC personnel to handle any judgments about criminal referral in the same exact fashion that they would be handled in any other PLS matter, no deviation whatsoever. As far as documents are concerned, the same thing.

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SEN. BOND: You instructed them to handle the documents in the same way? MR.

ALTMAN: That's correct.

SEN. BOND: Were there any instructions received by you or to, your knowledge, anyone in your agency from the Department of Justice, the White House or special counsel with respect to the retention of documents?

MR. ALTMAN: To the best of my knowledge, and I believe I know this, there were no requests or conversations with the White House whatsoever on that. With regard to Justice and the special counsel, I'm advised there have been conversations, the essence of which is that each party reminding the other not to take steps or release information which could jeopardize either party's investigation.

SEN. BOND: Given the facts I set out in my opening statement, we are concerned about whether all the documents are there, can you assure the committee that no one has issued any instructions to you or your agency to retrieve, relocate, destroy or tamper with any documents dealing with Madison, its affiliated enterprises, directors, owners or business partners?

MR. ALTMAN: I have no knowledge whatsoever of any such effort. SEN. BOND: Has anyone in your agency, specifically the Department of Records Management, indicated to you there are any missing documents? Or has anybody discovered any files missing or unaccounted for?

MR. ALTMAN: No.

SEN. BOND: You are absolutely sure that --

MR. ALTMAN: No, your question was: Has anybody indicated to me. SEN. BOND: All right.

MR. ALTMAN: The answer is no.

SEN. BOND: Would you inquire of your records management agency whether they have either, A, been given instructions about the handling of documents from somebody outside or if they have found any evidence of missing documents or find that there are documents apparently missing? If you would inquire of that and advise us if you do find that there is such information?

SEN. RIEGLE: I think the stenographer should note that he's nodding in the affirmative.

MR. HOVE: Yes.

SEN. BOND: Finally, will the RTC release copies of the initial September 1992 referral to the Department of Justice and copies of the second referral on October '93?

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MR. HOVE: Senator, we're not in a position to release any documents that could have a negative impact on the investigation. I don't think you would want us to do that. And documents of that type that you're talking about fall into that category.

SEN. BOND: Allegations were made by Susan McDougal that many of the Whitewater files were actually delivered to Mrs. Clinton in 1987. What steps have been taken by your agency to recover those files or to ascertain where those files might exist?

MR. HOVE: I have no knowledge of that matter.

SEN. BOND: Have you heard of the allegation?

MR. HOVE: Actually, no.

SEN. BOND: Mr. Altman, I know there's many aspects to it. I was just reading one of the stories appearing in Commentary which referred to those allegations. We don't know if they are true or not, but I would suggest that someone should make inquiry to ascertain whether there is any truth to the allegations and if so, to take appropriate steps to recover such documents. Finally, where are the documents being kept, and have they been thoroughly catalogued?

MR. ALTMAN (?): Well, I can assure you that all proper procedures relative to safeguarding of documents are being followed. We also have a responsibility in regard to any case to obtain all the necessary materials for purposes of making a litigation decision. So any documents that the legal staff at the RTC believes would pertain -- would help it reach a conclusion on a litigation decision, in this or any other matter, it makes a maximum effort to obtain.

SEN. BOND: But that -- you have no knowledge of the specific question I asked about the records potentially in the possession of Mrs. Clinton? MR. HOVE (?): None whatsoever.

SEN. BOND: Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Boxer?

SEN. BARBARA BOXER (D-CA): Thank you, Mr. Chairman. I want to pick up on where Senator D'Amato left off with Mr. Howe.

Mr. Howe, as a Bush appointee, you were familiar, obviously, with the laws in those days regarding conflicts of interest, and you said that at that time there had to be a direct conflict of interest. And the appearance of a conflict of interest now is considered important, but at that time, that's not the way things were done. Is that correct?

MR. HOWE: That is correct, Senator.

SEN. BOXER: So the law was strengthened, and now you have to look at the appearance of a conflict of interest.

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MR. HOWE: It's not a law, it's a procedure that we have at the FDIC. SEN. BOXER: All right.

MR. HOWE: And at that time, we were looking only at the conflict of interest. Now we look not only at the conflict but also at the appearance of any conflict. SEN. BOXER: Right. Well, Mr. Chairman, I think this is a very important point. And what I would like to suggest is this; my colleague, Senator D'Amato, is very interested in this one particular S&L, which as I understand it, on the list of failures is the 194th largest in the country. I'm also interested in seeing if there were conflicts when lawyers were hired in some of the bigger closures. For example, there were, as I understand it, 14 S&L failures that cost the taxpayers more than one billion [dollars] each. Of these mega failures, six were located in Texas, two in California, two in Arizona, one in New Jersey, one New York, one Florida and one Pennsylvania. And I would like to ask you -- and since I think the chairman said a senator can make a request -- that in these mega failures, these six, I would like you to go back and take a look at the law firms that we used at that time to see if there were conflicts of interest and have a -- and at the same time that you issue this to Senator D'Amato, I would very much appreciate knowing that because I do have a big concern about the scams that were going on at that time.

MR. HOWE: Senator, many of these cases probably were the RTC cases and not the FDIC. The reason that we had this case was that we inherited the FSLIC cases in late 1988 or early 1989. This one came to us at a window of time prior to RTC's being created. So I think that your request might better be directed toward the RTC.

SEN. BOXER: Well then I will make that request to the RTC and ask that we have that report. Would I make that to Mr. Altman or Secretary Bentsen? Mr. Chairman, who do you think would be the appropriate party?

SEN. RIEGLE: Well, they both are hearing it, so --

SEN. BOXER: All right. Well, I will assume that will be done because, as I say, what I find most incredible is that there's this outrage directed at one particular situation, and it's so obvious why. You know, Mr. Chairman, I just want to say this, if I might -- I'll get back. I just have to say this, if I might. We all bring our experiences to the table, to our committees, to our work. And as I sat through this, I had the sense that this reminded me of something, the dynamics here, and it comes back to my being a mother and my experience in raising two kids, and when they wanted something, they made a pretty strong case.

And if they really wanted something, they stamped their feet. And if I gave them what they wanted, I expected them to be happy because I acceded to their request. And if they kept on stamping their feet, I'd tell them, "You're unreasonable." And if they kept it up, I'd take further action. But I think what I see going on here is that there was a demand for the best and most impartial person to look at a situation that obviously had a lot of political overtones, and in an attempt to handle it fairly, that request was granted, and we don't know the end result.

But what I see happening here, Mr. Chairman, is that people are still stamping their feet as if

nothing's been done. Something very important has been done. A lease has been taken on offices for something like four years. Eight attorneys are looking at this whole situation. Every question that's been asked by my colleagues is being looked at, not by a Democratic prosecutor, as Senator Kerry has pointed out, but by a Republican prosecutor, and someone who I believe has the faith of the American people, if not some of the senators here today, who seem to want to interfere in that investigation.

SEN. RIEGLE: Senator Boxer, I might just say, you may or may not have seen this in this morning's Washington Post, but there have been 25 FBI agents assigned to work with the special counsel, in addition to that legal staff that you cite.

SEN. BOXER: Yes. And, Mr. Chairman, I have to say that gives me great comfort. As much as I respect my colleagues' skill at questioning and badgering, I'd rather have this matter handled by someone who is so well-respected, cannot be accused of partisanship, as my colleagues on the Republican side here could be or I could be or Senator Kerry could be. So let's stop stamping our feet, and let's say this is good, that this investigation is going forward. And I really do have faith that we will find out what the problems were. And we don't know where it all will lead, but I don't think that turning this hearing into a browbeating of witnesses here does any good here at all.

I have some written questions I would like to submit, but I would have to say overall I am pleased with the report that we're getting. It seems to me we're moving along, perhaps, hopefully, under budget, moving forward with women and minorities and the things that many of us care about, and going after these crooks. Thank you.

SEN. RIEGLE: Do you want to say something? Otherwise I'm going here. MR. ALTMAN (?): No, no. I just wanted to note to Senator Boxer that we would respond to that question that you earlier asked.

SEN. BOXER: Thank you. I really look forward to seeing that for those six institutions. Thank you.

SEN. RIEGLE: Thank you.
Senator Bennett.

SEC. BENTSEN: Mr. Chairman, if I might --

SEN. RIEGLE: Uh, excuse me.

SEC. BENTSEN: (Off mike) -- my responsibilities as secretary of the treasury to deal in oversight, and I'm specifically precluded from intervening in individual cases. That's the responsibility of the RTC.

SEN. BOXER: But the RTC will do that. Thank you.

SEN. RIEGLE: Senator Bennett.

SEN. ROBERT F. BENNETT (R-UT): Thank you, Mr. Chairman. I agree with Senator Boxer: we all bring our personal experiences to this. I will try to stop stamping my feet. (Laughter.) I think that's an appropriate response, but --

SEN. BOXER: You've just been tapping your toe. (Laughter.)

SEN. BENNETT: I've just been tapping my toe. I must, however, out of my own experience share with you the number of times that I as a loyal Republican went to the White House in the Nixon administration and kept saying "You have got to get this out. You have got to find out who is behind this and tell the truth." And I kept getting told "This is a third-rate burglary that nobody cares about." I'm sure on a list of breaking and entering -- (laughs) -- this would have -- the Watergate breaking and entering would have been considered very, very minor. And people kept saying to me, "No, no, it'll all blow over." Well, it was members of your party, Senator Boxer, who kept stamping their feet and kept the thing up. A special prosecutor was appointed who in my recollection was a Democrat. I think Mr. Cox did not have very good Republican credentials when he was appointed to that circumstance.

SEN. KERRY: He was a Republican. One of the good ones from Massachusetts, but he was a Republican. (Laughter.)

SEN. BENNETT: He was a Republican? Well, I knew his law partner. He was a Democrat. We need not beat this further, but I do hope everybody understands that when there is an allegation of wrong-doing the smartest thing any politician can do is get all the facts out on the table. I've tried to do that. When I've been accused of making mistakes, I've discovered that the very best thing you can do politically is not try to cover it up, and that's the only advice I give my friends in this circumstance, having lived through the Watergate thing on the other side of it.

SEN. KERRY (?): Can I just take 30 seconds to say to my colleague that's exactly what we did. Senator Moynihan, national television, Senator Bradley, Senator Bob Kerrey, myself and others said appoint a special prosecutor, and indeed, the White House turned around and did it while the president was in Europe.

SEN. BENNETT: I understand all that, but I also understand that the stamping of the feet that went on prior to that probably had something to do with that decision. I don't think it was entirely sound public policy on the minds of the people on the other side.

Let's get back to the RTC if I can. I do want you to refer carefully to the article that I put in my opening statement. You've talked a great deal about minorities and women, and I yield to no one in my desire to see to it that there is fairness done.

The allegations that were made by the gentleman from Denver, however, is that there is serious reverse discrimination going on in the RTC, and that anyone who does not fall in that category cannot get a job and cannot get a promotion. And if that is true, that is something I think you should pay attention to. So I would ask you to review that.

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Now, make reference to continuing sales, and again, this is a personal circumstance. I've had a number of people come to me in Utah and say here is a marvelous investment opportunity to pick up at fire sale prices properties that can be enormously valuable. I have decided finally to divorce myself from having to make any investment decisions, and I put all of my assets in a managed trust and trust the trustees of that trust to make those kinds of decisions. But I said to them I cannot personally invest in this because I sit on the Banking Committee and it's involved in oversight of the RTC and these are RTC properties.

But I did, prior to creating the managed trust for my assets, go through the process of looking at them, and as a businessman, I can say you really are moving them very rapidly because it struck me that some of the prices were indeed unduly low and that the RTC could in fact have gotten a better price almost as quickly if not just as quickly as they were getting for some of these properties. Do you have a sense on that issue? I'm not accusing you of anything, I simply want you to talk about it.

MR. ALTMAN: Well, first of all, Senator, we have a statutory responsibility to maximize recovery for the taxpayer, so we must pursue sale techniques which respond to that goal. Second, all RTC assets, for practical purposes, are sold at auction, auction of one kind or another. So rather by definition, the market -- the price which the market establishes on that day is the price. It's always possible to look back on any transaction and say you should have done it later or you should have done it earlier, but fundamentally all of our sales are on an auction-style basis. I think the only other point I would make is that we're now in -- we now -- our inventory today is of the harder-to-sell variety as we're getting down toward the end. So our recovery rates, as I mentioned in my statement, are lower. I think last year we recovered at a rate of 76 percent of book value, and this year it'll be in the mid sixties. The character --

SEN. BENNETT: Let me just go back to your earlier statement. I understand what you're saying here, and I don't want to be argumentative about it. One instance, we were told -- or I was told that while it was technically an auction, the RTC had determined the price and that, if I would simply submit a bid for this price, I would be guaranteed to get it, that the RTC would not entertain any other requests. And I turned it down, as I say, for the reasons I've described, although I'll say to my colleagues, the ethics committee told me I need not have done that. I could have made the investment. I decided to avoid the stamping of feet later on in some future campaign in Utah. I would not run the risk. But it was my understanding that the people who did ultimately pick up the property did it for the price that we were told was the price. And we were told, "Yes, this is technically an auction; there will be a sealed bid, but this is the sealed bid we want and if you submit it at that price we can guarantee that you will get it."

MR. ALTMAN: I'd like to make points. The first is -- that's not how it's supposed to work, and if it worked that way -- just taking your comments in their entirety -- it should not have. Second, the RTC does reserve the right to reject bids and to establish in effect reserve prices or floors. So, it isn't the case -- it isn't always the case that whatever the high bid is it's accepted. But, there should never be an auction where any such indication, any such knowledge is provided beforehand; if it was, it was a mistake and shouldn't have happened.

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SEN. BENNETT: I'll just assume that it was a mistake in a particular circumstance, and I'm grateful to you for your response.

SEN. RIEGLE: Well, and perhaps a look could be taken at what may have been going on there, because that's not -- you know, let's not have it happen again. Senator Sarbanes was not given a chance, was not here in the sequence to give an opening statement and has asked to do so and I'm going to acknowledge that as I do with everyone. And then after he's done that, we'll start his time clock on questions. Senator Sarbanes.

SEN. PAUL SARBANES (D-MD): Mr. Chairman, I'll be brief. I don't want to impose on my colleagues, but I can't forego the opportunity with Chairman Greenspan here before us not to talk about interest rates just briefly, since I think they're so essentially involved with where the economy may be going. And I just want to -- I want to make a statement about that. I've met with the chairman from time to time, both privately and of course in public sessions, and I've raised with him the concern that a hike in short-term rates would raise long-term rates. The chairman's position has been, as I understand it, that when short-term rates go up long-term rates would initially rise but that within a few weeks or so they would settle back down to a level near where they had been when short-term rates were raised. We then contacted the Fed for the analysis that in effect was the underpinning for this statement. We've had difficulty getting that analysis, but it's finally been forthcoming. And as the Fed says, and I quote, the Fed staff, "As you have noted, short- and long-term rates do tend to move together." They then go on to make a rather subtle argument that to the extent that the Fed is ahead of the curve the response of long-term rates is less than when the Fed is moving too little too late, in responding to a build-up of inflationary pressure. So in a sense, they're shifting, as I understand it, the position that was asserted to me by the chairman.

On the morning of February 4th when the Federal Open Market Committee raised the Fed fund rates from 3 to 3-1/4 percent, the 30-year bond rate stood at 6.30 percent -- 6.30. Since that time, long-term rates have risen steadily. As of the close of business yesterday, the 30-year bond rate was 6.65 percent. Thus, since Fed funds were raised, long-term rates have risen by 35 basis points; in other words, more than the 25-basis-point increase in short-term rates. Now last summer at a hearing with Henry Kauffman (sp) and Paul Samuelson (sp), copies of which testimony were sent to the Fed and with a request that it be distributed to members of the Open Market Committee -- Henry Kauffman (sp) argued that raising short-term rates could lead to higher long-term rates; in other words, the contrary of this position that was asserted that if you take up short-term rates, you can bring down long-term rates. And I quote Kauffman (sp). "I also take issue with the assertion that a small increase in the Fed fund rate this summer would be welcome by the financial markets and would accordingly lead to a decline in bond yields. Perhaps. But equally likely is that the bond market would interpret such a rise in the federal funds rate as the first of a number of future increases, and market participants might easily react by pushing bond yields higher. Under that scenario, the rise in the federal funds rate could magnify inflationary expectations, precipitating a sell-off of bonds."

Now just today, Hobart Rowen, one of our nation's most perceptive economic commentators, has an article in the Washington Post headed, "The Fed Meddles," and I just want to quote

from it briefly. "As it has many times in the past, the Federal Reserve Board is taking the country down the wrong road by raising interest rates. It has violated the dictum, 'If it ain't broke, don't fix it,' and as a consequence, the smooth recovery from recession that has cheered business and consumers over the past year is being threatened. "Fed Chairman Alan Greenspan told the Joint Economic Committee in widely analyzed testimony January 31 that the central bank, which had allowed interest rates to fall to record lows, would not change policy to slow economic growth. But four days later, on February 4th, the Fed raised short-term interest rates by one-quarter of a point in a quote, 'preemptive strike,' unquote, against future inflation. To make sure there was no doubt in the markets that the Fed had decided to interrupt the easy money pattern, Greenspan publicly announced the move. "In new testimony this week, Greenspan failed to justify the Fed's action. He admitted that there was no discernible inflation, that wages are not moving up, that there is virtually no fear the economy is growing fast enough to make overheating a danger."

Now, the whole problem here -- and I -- this is to close this statement, and then I have just a couple of questions to put to Mr. Altman. I won't take anywhere near my question time because I -- is all -- it's all encapsulated in this -- in this cartoon, which shows this truck moving down the road. It says "Economy". And the economy has been moving down the road, and we all want to see that. The driver here has got his hands up to his head in horror. He's slamming on the brakes. As you can see, "Brake. Screech," bringing this truck labeled "The Economy" to a halt. And the reason he's doing it is because out here in the middle of the street is a man labelled "Greenspan". (Laughter.) And he's bending over here. He's out in the middle of the road out in front of the truck, obviously forcing it to come to a screeching halt. He's bending over to pick up these papers here that say "Interest Rates." And he's saying, "Let's see, we'll just pick these up."

Now --

MR. GREENSPAN: You know, senator, I pulled a muscle in my back and I now just realize how I did it. (Laughter.)

SEN. SARBANES: Well, I'm glad we found the explanation for it, Mr. Chairman. SEN.

KERRY: You know, Mr. Chairman, if you say something really interesting now about interest rates you could functionally terminate this hearing and relieve us all. (Laughter.)

SEN. SARBANES: Mr. Chairman, I know that's not the focus of today's hearings, but I think this matter is of such importance. The Fed, of course, is urging the Congress to stay the course on fiscal policy. I happen to agree with that. I think we ought to stay within the constraints of the agreement that was reached last year, and I expect that we will. But by the same token, it's my own view that the Fed should have stayed the course on monetary policy, certainly until we had greater assurances that real growth was taking place in some lasting and permanent way and some evidence that one can look to that indicates that we're beginning to get some kind of inflationary problem. Now, Mr. Altman, I just want to put a couple of questions to you. Earlier you were questioned by one of my colleagues on the other side who went through a list of -- (laughs) -- sort of "Have you stopped beating your wife" type questions, I thought. And so let me try to turn it around and get -- I want to be sure.

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Do I understand that the cases to which they're making such reference were handled in the same way that all other cases were handled -- in other words, according to regular procedures?

MR. ALTMAN: Senator, the instructions that I gave were that all procedures, normal procedures should be followed in this matter without any deviation. SEN. SARBANES: And to your knowledge, that's -- I mean, to the best of your knowledge that's the case. Is that correct?

MR. ALTMAN: Yes.

SEN. SARBANES: Mr. --

MR. ALTMAN: Of course, I'm commenting as to the handling of the case under my responsibility. I'm not making a comment about matters that I have no knowledge of of three or four years ago.

SEN. SARBANES: Oh, I understand that, but as I understood the questions that were put to you, it was with respect to your own responsibilities. I don't how you could be expected to assume the responsibilities of others, so to speak. Mr. Chairman, I just have one comment about the constant reference here to Madison and Whitewater and so forth. And that is that, you know, an independent counsel has now been selected. I read the transcript of his press conference with the Attorney General when it was announced. Actually, as I understand it, or as he said, he defined the scope of the investigation. In fact, he says, "I'm totally satisfied that I will have the independence and complete authority to do this job right." And then the resolution by which his jurisdiction is defined, this is Robert Fiske now I'm talking about; "This resolution has been deliberately drafted broadly. It was drafted by me to give me the total authority to look into all appropriate matters relating to the events that bring us all here today." And he then goes on to specify that.

Now, of course, I think Fiske is regarded highly. In fact, Senator D'Amato called him "a man of unflinching and uncompromising integrity. He's the kind of person who will bring out the truth for the American people so there will be no question as to the thoroughness and objectivity of this investigation." I don't differ with that evaluation, I say to my distinguished colleague from New York, from what I know about Mr. Fiske and what's been told to me about him. So I think that's an accurate evaluation of him. Now, the other point I want to address is, he was asked in that conference, "Do you think that a congressional hearing of any kind at this point might hamper your investigation?" This was a question put to Fiske by a -- at that press conference when he assumed his responsibilities. And this was his response, and I quote him -- this is now Robert Fiske I'm quoting, the independent counsel: "I think the history of these situations is that it is difficult to conduct this kind of investigation at the same time a congressional investigation is going on. The decision whether to have such an investigation obviously is not mine, but I think just looking back at the past, we can all see that that is not an easy relationship." End of quote.

And I just wanted to put that on the record, because I think it's very important to understand

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that, you know, an independent counsel now has been selected. The independent counsel has been given a grant of authority -- actually, according to his own testimony, he defined, in effect, the grant of authority. I haven't quoted it, but the attorney general is very clear here in her statements that he has a full scope to proceed as he deems necessary and to call upon any resources that he thinks are advisable. And it seems to me that, you know, we've put the matter where it ought to be put.

Now, there was some delay in getting to that point. I understand that. But that's the point we are at now, and it seems to me that that is -- ought to be reassuring to the American people that this matter will be looked into thoroughly and comprehensively and that Mr. Fiske and his associates -- and he's now in the process of putting together, I understand, a rather large and first-rate staff -- will get to the bottom of this matter. And I think it's very important that that be put on the record.

I thank the chairman.

SEN. RIEGLE: Thank you, Senator Sarbanes.

I made reference earlier -- I'd just take one moment before calling on Senator Faircloth. I made reference earlier to the actual legal charter of independent Special Counsel Fiske which is published in the Federal Register on Friday, February 4th, and I've read it. And it's really quite a -- I just hold it up here, and we'll put it in the record so that it's there in the context of this discussion. But this is about as broad and as firm a legal mandate as anyone could have. And I notice here that under the Department of Justice the action to accord him that kind of operating latitude was in the form of a final rule. So this locks it in. I mean, this independent counsel, I think highly regarded across this board -- from Senator D'Amato's comments to others that have been made by other people who know him well -- has the authority to go anywhere he thinks it necessary to go. And I again make reference to that article today in The Washington Post, because he's obviously setting up subsidiary investigative efforts, where he's putting together teams to go down each and every issue so that there are no questions left at the end of his work. In any event, I urge my colleagues to take a look at this, because I think it is instructive. Senator Faircloth.

SEN. LAUCH FAIRCLOTH (R-NC): Thank you, Mr. Chairman. And I want to thank you for the manner in which you've conducted the hearing. It hasn't been easy. I had one or two quick one-liners, and then I had some questions. (Laughter.) One of them is in sympathy with Mr. Altman. I bought and sold many a piece of land in my life. I never bought one that somebody didn't tell me I paid way too much for it, and I've never sold one that somebody didn't come immediately and tell me I should have gotten a lot more. But I survived. MR.

ALTMAN: You probably did very well.

SEN. FAIRCLOTH: Chairman Greenspan, I think -- two things. If we get nothing else out of all of this conversation, I believe it will demonstrate to the American people, and maybe to the Congress as a whole, that we need to keep the Federal Reserve, the Comptroller of the Currency, the Office of Thrift Supervision and the FDIC as separate entities, and it's well spent money to have them separate by the taxpayers' money to keep it as it is and not be consolidating it into a political position. I hope that's it. As Senator Sarbanes mentioned on

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your increase in interest rates and inflation, I have observed over the years that inflation is somewhat like Alzheimer's disease; you've had it three or four years before you find out you really have it. And inflation moves before we -- it goes underground a long time. So I think you're absolutely right in increasing rates in anticipation of what might happen. I have found that inflation -- a recession will scare you -- in business, a recession will scare you to death, but inflation will kill you. And I have a question for Mr. Hove.

Mr. Hove, it's my understanding that Webster Hubbell, in his current position as associate attorney general, and in his words, "chief operating officer" at the Justice Department, has formally recused himself from matters regarding Madison Guaranty. Would you agree with me that it would be improper for Mr. Hubbell to seek to involve himself in the FDIC investigation beyond what he was asked by the Legal Division? And if you will -- since that light is looking at me -- I'd like yes or no answers, if you would.

MR. HOVE: I think the issue of Mr. Hubbell recusing himself is an issue that Mr. Hubbell has to deal with.

SEN. FAIRCLOTH: Fine. Have you had any communication with Webster Hubbell concerning the Legal Division's report?

MR. HOVE: I have not.

SEN. FAIRCLOTH: Are you aware of any communication between Webster Hubbell and an FDIC official in the general counsel's office regarding Mr. Hubbell's role in the Legal Division's then-pending investigation and report? MR. HOVE: Yes, sir. Legal Division has had conversations with Mr. Hubbell. SEN. FAIRCLOTH: Are you aware of any communication between an official in the general counsel's office in Washington and the FDIC official in the Kansas City, Missouri field office regarding Webster Hubbell's role in the then-pending investigation and report?

MR. HOVE: No, I'm not aware of that.

SEN. FAIRCLOTH: Would you be willing to let the general counsel's office release their telephone records for the week of January the 24th through January the 31st?

MR. HOVE: Senator, we're willing to release any non-confidential information that would be generally available to the public. As you might know, many of these things would be privacy concerns and we would be concerned about releasing those without redacting some.

SEN. FAIRCLOTH: So you would not release them?

MR. HOVE: No, sir, we will release them, we will release any non-confidential --

SEN. FAIRCLOTH: All right, that's -- who decides whether it's confidential or not?

MR. HOVE: Well, does it include -- does it deal with privacy of the individual. SEN.

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FAIRCLOTH: Well yes it does, but we need -- yeah, sure it does. That's what we want them for. (Laughter.) Will you?

MR. HOVE: We'll release anything that is publicly available, yes, sir. SEN. FAIRCLOTH: Well, it's not publicly available or we wouldn't be asking for it to be released. If it were in the want ad section, I'd have gone there to get it.

MR. HOVE: Yeah, we have log of everyone that we've contacted, everyone we've talked to on the phone, and we'll release that.

SEN. FAIRCLOTH: All right. Okay, that's what we need.

I see in the Wall Street Journal and the Chicago Tribune, and it's generally out, that you found no conflict of interest between Ms. Clinton and her work in the Dan Lassiter (sp) and First American Savings and Loan, that you find her completely innocent.

MR. HOVE: Senator, let me talk about that issue because that was not an FDIC issue, and that was not an investigation or a review that the FDIC has done. That was an issue that happened before FDIC ever became involved. That was an issue between the old FSLIC -- the old Federal Savings and Loan Insurance Corporation and the failed savings and loan, First American in Illinois. They had filed the suit against Lassiter (sp). They had settled that suit before FDIC ever became involved in that. It was an issue that had happened way before FDIC ever became involved in it.

We have not reviewed that. We have looked at --

SEN. FAIRCLOTH: May I ask one quick question?

MR. HOVE: Yes.

SEN. FAIRCLOTH: Who settled it? Ms. Clinton and Foster? Is that -- it was settled -- you say it was settled. It was settled by Ms. Clinton and Foster. MR. HOVE: I'm not sure that it was settled by Mrs. Clinton. Mrs. Clinton's involvement was to sign an amended complaint for Mr. Foster that amended the complaint from the savings and loan against Lassiter (sp). That was her only involvement in that case.

SEN. FAIRCLOTH: All right, go ahead. I'm sorry, I interrupted you. MR. HOVE: That case was settled over six years ago by the conservator. The conservator for that savings and loan had hired a law firm in Chicago. The law firm in Chicago subcontracted the Rose law firm to work on this case for them as the conservator. The lawsuit was settled before we ever got it, and normally these facts would not trigger an investigation for us, but because of the increasing public interest -- and if you choose, we will conduct an IG investigation to determine that -- but again, the records are scattered all over because it's the old FSLIC records and they were not compiled in any one location. So it's a very difficult issue. It -- there's no single repository of these records. And we'd be willing to assist your staff in locating any of these records that may be available and to make some determination as to what the involvement was.

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SEN. FAIRCLOTH: So this clearing of Ms. Clinton in any involvement with the American Savings and Loan and Dan Lassiter (sp) was done by the FDIC, it was done by the --

MR. HOVE: We have not cleared it. The only contact we've had on the First American Savings and Loan and the Lassiter (sp) case was a press contact that came as a result of an article that appeared first in the Chicago Tribune, and we responded to that saying exactly what I've told you, that this was not an FDIC issue, that it was in fact a FSLIC issue that occurred before FDIC ever became involved in any FSLIC issue. The issue was settled, the settlement was made before FDIC ever became involved in this issue.

SEN. FAIRCLOTH: All right, so -- but the -- would the statute run on it, could it be opened by the special counsel?

MR. : I haven't any idea. That's a question I guess I'd have to ask my attorney.

SEN. FAIRCLOTH: Ask him.

MR. : (Confers.) I don't know.

MR. : I have no idea either.

MR. : We don't have enough records at this stage to know -- SEN. FAIRCLOTH: Thank you.

SEN. RIEGLE: Although I'll repeat again, and you'll read it from this Federal Registry (sic): "The independent special counsel has two authorities. One authority is for criminal prosecutions. The other authority is to proceed with civil actions." Now, the civil authority doesn't relieve any other regulatory body of whatever civil action they might appropriately take. But the point is, the special counsel has the specific grant of authority to proceed down both tracks. And it's laid out four different times in this charter of responsibility, and it's a very important point.

SEN. D'AMATO: Will the chairman yield? Just on that point, because to be quite candid with you, until the chairman read the grant of authority, I was given to believe that the special counsel would confine himself to the criminal side. I'm not suggesting to you that the grant may not give him broader powers. I would think it would behoove us, and I'm not attempting to get the exact language determined now, but if we could not, send a letter from this committee and ascertain, indeed, will he undertake the review of various civil matters, such as the one brought up as it relates to this last matter that Senator Faircloth brought up, and there are some others. I think that would at least set the record straight and we might want to put that to him and, again, have our counsel work together to put forth the appropriate question. But I think we should determine, indeed, is that the case.

Secondly, I make a quick point, and I beg the indulgence of my colleagues, by stating, I think that if you notice, at least where I have been attempting to take this, and I think some of my

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colleagues, we're attempting to ascertain what if anything did the RTC, did the FDIC, do in connection with these matters. That is not at variance with the charge of the special counsel. We are not, in attempting to find out what was done and what wasn't done, in any way disturbing his investigation. I think we have an absolute right to know what was done. We have an absolute right to know the appropriateness of the action, so --

SEN. BOXER: Can I have a point of procedure? Whose time are we on? I just was -- I've lost track.

SEN. D'AMATO: Well, I'm going to do it one way or the other.

SEN. BOXER: Well, I don't have any objection to your doing it. I'm just confused. Is this Mr. Faircloth's time that you're on? Or is this added time, so we can all get added time?

SEN. D'AMATO: I asked the chairman if he would indulge me so I could --

SEN. RIEGLE: He asked the indulgence of the chair and I'm going to let him finish his point.

SEN. BOXER: Okay, fine.

SEN. RIEGLE: And then we'll move to the next person here.

SEN. BOXER: I was just checking.

SEN. D'AMATO: So, again, this is not an attempt to do anything other than to see what has been done to date by those various agencies that have the collective and the individual responsibility to deal with these matters. That's one. And secondly, it would seem to me that it might clarify the issue -- certainly I was led to believe, and maybe incorrectly so, that the special counsel was not going to look into civil matters. I think it's important for us to ascertain that.

And so I put that to the chairman that possibly we review that matter. I'm not looking for an answer at this time --

SEN. RIEGLE: Well, I'm going to just -- I'm going to take a minute and just read it into the record because I don't want it to be --

SEN. D'AMATO: No --

SEN. RIEGLE: I know, but it's important, and the words are on paper, and this is the official charter. And I'm going to read from page 5221 of the Federal Registry of February the 4th of this year, and I'm going to just read three or four different lines here that appear in different places, and here's the first one: "The attorney general has appointed this independent counsel to investigate whether any individuals or entities have committed a violation of any federal law or civil law." And then it goes on in that vein. And then over on the next page it says again "... have committed a violation of any federal criminal or civil law relating to ..." And

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then again it says "... any violation of any federal law or civil law." And it says it one more time further on down the line here.

So it's clear -- my interpretation of this is that this does not relieve any regulatory body of any proper actionable efforts that it should properly undertake and determine to undertake, but it says that the special counsel clearly has the authority to move down both tracks if in his judgment he should find that that is warranted. And it's a very important fact.

SEN. DOMENICI: Mr. Chairman --

SEN. RIEGLE: Senator Domenici, let me just say the time -- we're at the point now where either you or Senator Gramm will get to ask questions, and you -- you're both here, and I don't know if either of you have a -- one will follow the other, but will either of you have a time problem as to who goes first?

SEN. DOMENICI: Well, I just wanted to ask you with -- on that question on your charter interpretation there, or reading --

SEN. RIEGLE: It's not an interpretation, it's what -- it's the final rule that was laid down on the --

SEN. DOMENICI: Well, what is -- what is the special prosecutor supposed to do if he finds civil law violations?

SEN. RIEGLE: He has the full legal empowerment to take whatever actions he deems necessary -- and all the investigative and prosecutorial authority to do so. I mean, this is an absolute charter.

SEN. DOMENICI: We'll -- we'll -- thank you very much for that.

SEN. RIEGLE: You can take a look at it.

SEN. DOMENICI: Senator Gramm, I have a little bit of time, although I'm late for some events. But if you want to go, I'll let you go and I'll follow. It -- Will there be another one from the other side that has not inquired yet?

SEN. RIEGLE: No. You are the last two that have a chance to question, so --

SEN. DOMENICI: Well, go ahead. Could you keep it brief, senator? Short?

SEN. RIEGLE: -- and then we'll go back and forth, senator. SEN. : No.

SEN. DOMENICI: No? (Laughter.)

SEN. RIEGLE: Senator Gramm.

X001097

SEN. PHIL GRAMM (R-TX): You want to go ahead?

SEN. DOMENICI: No, you go. You got the time clock right there.

SEN. GRAMM: Let me begin. I've just got a simple question that I want to ask of most of the members of the panel, and let me just read it. Mr. Altman, I want to ask you first. Have you or any member of your staff had any communication with the president, the first lady, or any of their representatives, including their legal counsel or any member of their White House staff, concerning Whitewater or the Madison Savings and Loan?

MR. ALTMAN: I've had one substantive contact with White House staff, and I want to tell you about it.

SEN. GRAMM: Okay, let me, if I may, just -- given that "yes" I'd like to know what the substance of the communication was, when it occurred, who initiated it, and what you were asked to do.

MR. ALTMAN: Right. First of all, I initiated it. About three weeks ago, Jean Hanson, who is Treasury's general counsel, and I requested a meeting with Mr. Nussbaum -- he's the White House counsel.

The purpose of that meeting was to describe the procedural reasons for the then impending February 28th deadline as far as the then statute of limitations was concerned. I'm sure you know that that statute of limitations has subsequently been retroactively reinstated for certain types of civil claims. And we explained the process which the RTC would follow in reaching a decision before that February 8th deadline, that it would be exactly identical to procedures used in any other cases, any other PLS case, and that the RTC fundamentally would come to a conclusion as to whether or not there existed the basis for a claim or whether there didn't. And in the event that the basis for a claim existed, then it would pursue either a tolling agreement, which is the equivalent of a voluntary extension of the statute of limitations from the parties at interest, or it would file that claim in court. That was the whole conversation. I was asked one question. That was question was whether we intended to provide the same briefing to attorneys for the parties at interest. I said I assumed so, went back -- (inaudible) -- and checked with the RTC general counsel. The answer was in due course. I said fine. That was it. I have not had any contact with the president of the United States or the first lady on any matter like this.

SEN. GRAMM: If I may, let me pose the same question to Mr. Hove. Have you or any member of your staff had any communication --

SEN. RIEGLE: Mr. Hove, let me just -- I don't know if you know. This question's being addressed to you.

SEN. GRAMM: Have you or any member of your staff had any communication with the president, with the first lady, with their representatives, including legal counsel, with members of their White House staff concerning Whitewater or Madison Savings and Loan?

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MR. HOVE: Our director of the Office of Communications at the FDIC had received a call from a press person at the White House after the second article appeared The Chicago Tribune regarding the First American issue. They asked, did we have any statement? And the response given to the White House was, no, we did not have any statement.

SEN. GRAMM: So they were asking you to respond to the press statement? MR. HOVE: It was Mrs. Clinton's attorney.

SEN. GRAMM: Mrs. Clinton's attorney --

MR. HOVE: I'm sorry. It was Mrs. Clinton's attorney --

SEN. GRAMM: -- called you?

MR. HOVE: It was Mrs. Clinton's attorney that called the FDIC Office of Communication.

SEN. GRAMM: So Mrs. Clinton's attorney called the FDIC and asked you to respond to a press --

MR. HOVE: No, no, that's not what he said.

SEN. GRAMM: Well, I'm asking the question.

MR. HOVE: Yeah. No, but that -- but --

SEN. GRAMM: I'm not trying to speak for you.
What did Mrs. Clinton's attorney ask you to do?

MR. HOVE: They asked did we have any statement, and we responded, no, we did not have a statement.

SEN. GRAMM: Would it be normal that someone's -- did this attorney work for the federal government?

MR. HOVE: No. This was Mrs. Clinton's attorney.

SEN. GRAMM: When did this call occur; do you know?

MR. HOVE: After the second article appeared in the Chicago Tribune, and I can't tell you the date of that. It's been in the last, what, two weeks or so? I don't know.

SEN. GRAMM: And you were asked if you had a response that you were going to put out on it; you said no.

MR. HOVE: That's correct. We responded to the first statement, the first article that appeared in the Chicago Tribune, pointed out the errors of that article, that it was not an FDIC matter,

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exactly the same thing that I responded to Senator Faircloth.

SEN. GRAMM: And to the best of your knowledge, you've had no other communication, you and your staff have had no other communication with all the people that --

MR. HOVE: That's correct.

SEN. GRAMM: Let me pose the same question to Mr. Fiechter and to Ms. Ford.

MR. FIECHTER: To the best of my knowledge, I know I have and OTS staff has had no communication whatsoever with anyone from the White House about this or that list that you included in your question.

MS. FORD: No, the Oversight Board nor I have had any involvement in this matter.

SEN. GRAMM: Let me raise a second question, and it's a thing that I've tried to understand in looking at where we are and what we need to do to get on with finishing this matter. Part of the problem that we have had in the past with regard to congressional hearings and congressional involvement really has involved two things. One has been the granting of immunity by congressional panels for people who would testify. The other is that under the Constitution, the testimony of a member of Congress is a privileged matter that is given special treatment. In this case I'm not aware that anyone in holding a congressional hearing or looking into this matter would be talking about -- I don't know of a committee that would be empowered to grant immunity. No such resolution has passed the Congress. We're not talking about a member of Congress, where there's special constitutional provisions. I'd like to just pose the question: What would be wrong with letting members of this committee that have oversight responsibility look at the records in this case or any other case where we have oversight responsibilities? Mr. Hove, let me pose that to you and Mr. Altman, and then I see my time is up and I'll stop.

MR. HOVE: Our position is that we will make access available, and we have, to Congressman Leach, to all information that is, again, non-confidential documents.

SEN. GRAMM: How would you define what is confidential?

MR. HOVE: Again, those that would -- (pause) -- those that would involve privacy information that would be non-germane to this issue.

SEN. GRAMM: And you would make that judgment?

MR. HOVE: Yes.

SEN. GRAMM: Mr. Altman?

MR. ALTMAN: First of all, Senator, we have already provided volumes of documents to the Congress. Senator D'Amato referred at the very beginning to documents he received last

evening, and I would have liked him to receive them earlier, but we only got the request last Friday.

But in terms of Congressman Leach, who has also received those documents, he has had them for some time -- if my memory serves, 6,500 pages -- the RTC has been asked not to make information about criminal referrals in the Madison matter public, and it's standard practice not to release information of that kind or any other which might compromise a criminal investigation. And of course, we're cooperating with the independent counsel to try to assure that we don't release any information which would jeopardize his investigation. And as I said earlier, I would think you would not want us to do that in order that that investigation should proceed as it should.

SEN. GRAMM: Mr. Chairman, if I could have your indulgence, I've got here a text of a newspaper article in Phoenix that contradicts something that Mr. Hove said, and I'm sure he doesn't want to let it stand. I've got a response, apparently after the second article, where the agency -- the FDIC did in fact make a statement. It says the agency said Mrs. Clinton's involvement in the case was not extensive enough to constitute a conflict of interest under rules governing federal regulation of savings and loans. I've got this if you would like to see it.

MR. HOVE: Was that after the second -- we made a comment -- we made a public comment after the first article appeared --

SEN. GRAMM: This is 2/16/94.

MR. HOVE: Okay, and I don't know when those articles appeared. SEN. RIEGLE: Why don't you take a look at it, and let's go to Senator Domenici and then --

SEN. GRAMM: (Aside) -- When did the other one occur, what's the date on the other one?

MR. HOVE: Senator, we commented after the first article appeared to correct any inaccuracies that was in the report. The involvement that Mrs. Clinton had in that case was, again, as I mentioned to Senator Faircloth, that she signed an amended complaint for her partner, Vince Foster, who was the attorney who was involved in the case. That involved two hours that was billed on Mrs. Clinton's part on that case in which she signed the amended complaint. As far as we can determine from the records we have, that was the involvement that she had had, and that's what we released at the time.

SEN. GRAMM: Well, if you would take a look at this and just let us know in writing if this was the second one, how the response was made, who made it, why they made it, it'd be fine. Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Domenici.

SEN. PETE V. DOMENICI (R-NM): Mr. Altman, Stanley Tate (sp) was nominated by President Clinton to head the RTC, and while preparing for that confirmation he was at the

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RTC in a consulting capacity. That's all true, isn't it?

MR. ALTMAN: Yes, sir.

SEN. DOMENICI: When he withdrew his nomination, he attempted to release to the public materials he had prepared containing the RTC operations. Are you and the board familiar with the document that I refer to?

MR. ALTMAN: Generally, sir, yes.

SEN. DOMENICI: Why did the oversight board prevent Mr. Tate (sp) from releasing that document?

MR. ALTMAN: Well, first of all, it was released.

SEN. DOMENICI: Well, you released it -- when he left it was not released and you claimed it should not be released. But then eventually you provided the document to Senator D'Amato, I believe, or my office, but that was December 23rd, 1993. Why was it not released when he wanted to release it?

MR. ALTMAN: Well, senator, my recollection is that it was released rather promptly. Maybe not the day after he submitted it, but as a federal employee -- consultant, the materials properly would be -- were reviewed by his superiors before being released. But I think the point is they were released in short order.

SEN. DOMENICI: Well, did the RTC or the oversight board alter, edit, or sanitize this document before releasing it? And let me say if not, why did Dietra Ford, oversight board executive director, send a memo -- and I have that -- dated November 30th to you about these materials which included the following sentence: "I'm forwarding the enclosed so that you can see the original materials and fully understand the disaster we narrowly avoided." Those last -- that last sentence is a quote. What was the disaster that Mrs. Ford was referring to? Was this a reference to Madison? If it wasn't, fine. If it was, I think maybe we ought to know about it.

MR. ALTMAN: Senator, you should ask Mrs. Ford that question.

SEN. KERRY (?): You may not like the answer, but --

SEN. DOMENICI: Well, I just got this letter, and it deserves an answer. If it's not what I want, that's fine. That's what we're here for.

MS. FORD: We received the 200-page document the morning of his press conference, and we had only a quick time to take a look at it at the Oversight Board. The deputy general counsel of the Oversight Board and I advised --

SEN. : Pull the microphone up.

X001102

MS. FORD: We advised Mr. Tate that the material should be reviewed by the Oversight Board staff, myself, as well as the interim CEO, Mr. Altman, before they are released to the public and that he was a federal -- special federal government employment and, therefore, he was subject to the rules that apply in terms of ethics, the Office of Government Ethics, that applied to the release of documents which he obtained during his tenure as a federal government employee.

SEN. DOMENICI: Well, what's what your letter says.

MS. FORD: That's right.

SEN. DOMENICI: But what was the "disaster that we narrowly avoided"?

MS. FORD: It was my interpretation that, to release those documents before anyone in the Oversight Board staff, the attorneys involved, or -- who advise us, have a chance to look at them, was inappropriate. And that's my choice of words -- "disaster." I think it's inappropriate to release documents before we know what they contain.

SEN. DOMENICI: I thank you.

Let me quickly move to a couple of other ones if I might. Mr. Altman, I think you told Senator Bond that you would not make available any documents that, quote, "would have a negative impact on the legislation," closed quote.

MR. ALTMAN: No, I don't think so.

SEN. DOMENICI: No?

MR. ALTMAN: I said -- I think I said that we would try not to release any documents that would have a prejudicial effect on the investigation.

SEN. DOMENICI: Well, this committee held hearings on the failure of the Bank of New England in the context of an unsuccessful confirmation hearing on Bob Clarke. This committee explored in detail transactions related to that bank. Voluminous documents were made available. Maybe this is distinguishable, but it seems to me that the same question could be asked here. Why can't you release all of these documents for this kind of hearing?

MR. ALTMAN: Senator, we have had -- or I am advised we have had a couple of conversations with Mr. Fiske, the independent counsel. He has asked us not to release any documents that could jeopardize his investigation. I don't know why you would want us to do that, to jeopardize his investigation. We certainly don't want to.

SEN. DOMENICI: I don't want you to.

MR. ALTMAN: And we're respecting his request.

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SEN. DOMENICI: But if the special prosecutor has no objection to the committee being provided copies of documents, can the committee then count on the RTC's full cooperation in providing them.

MR. ALTMAN: You should direct that question to Mr. Fiske.

SEN. DOMENICI: No? If he has no objection, then can we count on you to release them?

MR. ALTMAN: I think the answer is yes.

SEN. DOMENICI: Does the RTC have an inspector general?

MR. ALTMAN: Yes, sir.

SEN. DOMENICI: Has the inspector general investigated the conflict-of-interest allegations regarding the Rose firm?

MR. ALTMAN: I don't know the answer to that.

I'm nearly certain it's no because, as you know, it wasn't the RTC that ever had any retainer relationship or other relationship with the Rose firm.

SEN. DOMENICI: But you're kind of the natural successor to what went on there, and I believe -- I think when you took over you began some investigation of that. We'll show you that in a minute. But my question is, if the FDIC agreed to have its IG look into Madison, would there be any reason why you wouldn't?

MR. ALTMAN: I have no objection to the IG's looking into any matter that he sees fit to look into or that he's requested on an official basis to look into. That's what he's there for.

SEN. RIEGLE: Senator Domenici, I don't want to be arbitrary, but I do want to try to stay on the time clock if I can as we go back and forth, and we'll continue until everybody's had a chance to cover everything they want to cover today.

SEN. DOMENICI: Thank you very much, Mr. Chairman.

SEN. RIEGLE: Chairman Greenspan, I want to come back to the interest rate situation because we had an opportunity to talk the day that the Fed took its first step, after that was taken, and I'm concerned about the question of what has happened since and just your own expectations of what might happen, what has happened. You've made further public comments in a hearing recently. I'm just wondering, as you watch market reactions to the tightening move that the Fed made, are you seeing essentially what you expected or have you seen something that -- particularly in terms of the uptick on the long rates -- something that maybe you would not have expected? In other words, where are we now, and how do you read what seems to be taking place as a reaction to the Fed's policy adjustment?

MR. GREENSPAN: Mr. Chairman, as Senator Sarbanes indicated, my expectation was on the

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basis of what has historically tended to be the case, that the type of increase that we've had would initially lead to some small increase in long-term rates followed by some edging off. That's basically been the history, other things equal, and that's essentially what one endeavors to use so far as a forecast is concerned.

What occurred in the interim was, as I indicated to the subcommittee of the House the other day, is that there was a growing concern that after the torrid pace of economic growth in the fourth quarter, which is apparently in the process of being revised up, that the possibility that we would not be moving to a much more moderate rate of growth was rising, and the first evidence that that was affecting market perceptions was when the Philadelphia Federal Reserve Bank released its monthly survey, which showed a significant increase in prices paid by manufacturers for the month -- I suspect it's early February. The point at which that release was made, the long-term rates were very slightly above where they had been previous to the February 4th move. But what occurred following that was a general belief that the pace of economic activity may turn out to be somewhat stronger than most of the people in the market had anticipated.

And to repeat what I said at the House Banking Subcommittee, that change in view in the market's perception led to a significant backing up of long-term rates, which is what typically happens when those types of expectations change. As I said then, my impression of how one should interpret that Philadelphia report is more an indication of a pick-up in economic activity because commodity prices tend to be reasonably good proxies for new orders and indeed I think that's what essentially that particular report was showing. It is not a particularly good forecaster of inflation. And as I said at the House committee, we seem to be lacking the financial tinder that usually is associated with inflation accelerating when you get a significant pick-up in economic activity.

I'm agnostic at this stage. I think it's too soon to make a judgment, but we will learn a good deal more as the data begin to come forward.

SEN. RIEGLE: Well, but as I listened carefully to what you were saying, it seems to me when you say you don't see the inflationary tinder and that you're sort of an agnostic, I mean, I gather you're saying you don't see, yet, a broad evidence of a build-up of inflationary pressure that really worries you. I mean, I -- or is that not a -- I mean, put it in your words, but I'm just --

MR. GREENSPAN: No, that is substantially correct. Look, the reason that we moved on February the 4th, and the reason I said we may have to move again, rests on the issue of having deliberately put through a significant degree of accommodation in the money markets after 1989 because we perceived that there were special balance-sheet factors and other headwinds which required that we move the short-term interest rates below where they normally would reside. And when it became apparent that the adjustments that we thought would occur and in fact have been occurring in the balance sheets got to a point where the economy could start to regain its momentum and gain a degree of expansion which seemed to be well entrenched, at that point the need to have excessive accommodative policies no longer exists. The issue is not, do we see inflationary pressures emerging, BUT what is the reason

X001105

why we would want to keep the level of accommodation at a point where history tells us, if extended indefinitely, eventually does engender inflationary pressures. So, it's the issue -- I would reverse the question, not do we see inflationary pressures, but what reason would we have, once the recovery seems well entrenched, as indeed I believe it is, would we wish to keep an excessively accommodative stance? That is not a statement which says we are setting inflationary pressures emerging; indeed, as I said in my prepared remarks to the House committee, when we actually see inflationary forces emerging in the way of price changes which are clearly evident, the one thing we're sure at that point is we are very far advanced in the process, and history tells us that that type of policy which we engaged in much too often, is wholly inappropriate to maintaining long-term economic stability.

SEN. RIEGLE: Well, let me just say to you I find that a very important clarification and point that you've just made. And I think it puts this in a somewhat different light than some of the commentary, I think, has given to it because what I hear you saying is is that you've -- you've had a monetary policy that has been overly accommodative in order to try to get sort of the engine going again and that you overcorrected in a sense --

MR. GREENSPAN: Deliberately.

SEN. RIEGLE: -- deliberately. And now that it has gotten the traction that it needs to have, as far as you can tell, you're taking back some of that overcorrection but not for reasons of the fact that you see this inflationary tinder building up here.

MR. GREENSPAN: Precisely. And, in fact, I've tried to make that point every time I've stated this, and I somehow don't seem to get it across as well as I think I would like to.

SEN. RIEGLE: Well, I think you got it across pretty well right now, and we've got a pretty good sized press table that I hope will have gotten it down even though it's 20 to two, which is sort of a late hour for us to all be meeting here -- (laughter). But I thank you for that. I think that's a very important distinction, and I think it's important for the economic system and the markets to understand what you've just said.
Senator D'Amato.

SEN. D'AMATO: Thank you, Mr. Chairman. Mr. Chairman, I have to say to Mr. Altman that I would like to go back to a question that Senator Gramm brought up and -- as it relates to any meetings with White House staff or counsel. Mr. Altman, I think you said that you and a -- an official from Treasury sought out Mr. Nussbaum. Is that -- is that correct?

MR. ALTMAN: Yes, I did.

SEN. D'AMATO: Could you tell us why? In other words, I have difficulty understanding why it is you felt compelled to seek out the White House counsel.

MR. ALTMAN: Solely to ensure --

SEN. D'AMATO: Solely to -- ?

X001106

MR. ALTMAN: Solely to be sure that he understood the legal and procedural framework within which the RTC was working. And if you recall, as I said at that time, it was a February 28th date which was the subject of major attention in the Congress and in the press. It's not uncommon of meetings of that type to take place. And I'd describe it as a "heads up" and a very stiff conversation.

SEN. D'AMATO: A "heads up". In what connection would that heads up be? You mean that the statute of limitations was running?

MR. ALTMAN: No, that they should be aware of the internal processes and the types of criteria which the RTC was going to be following in order to reach a decision by February 28th.

SEN. D'AMATO: Was any representatives of the president or Mrs. Clinton or any legal counsel -- which I think would be appropriate -- speaking to the counsel for the RTC, or people handling this particular -- this particular matter? I mean, was there any legal representation going on? Was this -- you just called them? Did they have any representatives, any counsel who may have been meeting with staff people or talking to staff people?

MR. ALTMAN: I was accompanied by our general counsel, Treasury general counsel. Mr. Nussbaum had his assistant with him. And Mr. Ickes and Margaret Williams were both at the -- there at the time.

SEN. D'AMATO: Oh, Ickes is in it, huh?

Let me ask you this: Prior to this meeting, was there any representation -- was there any counsel that was being given representing the president's interest or Mrs. Clinton's interest or anyone else that you're aware of as it relates to the matter that you went to brief them on?

MR. ALTMAN: No, not to my knowledge. Nor were there any substantive conversations -- subsequent conversations.

SEN. D'AMATO: Did anyone request this meeting?

MR. ALTMAN: I requested the meeting.

SEN. D'AMATO: Was there any other meeting that may have been requested?

MR. ALTMAN: No.

SEN. D'AMATO: There was no other meeting that you are aware of that the White House counsel requested?

MR. ALTMAN: No.

SEN. D'AMATO: Or anyone else from the White House?

MR. ALTMAN: No.

SEN. D'AMATO: Mr. Ickes?

MR. ALTMAN: I had no subsequent -- I received no subsequent requests for meetings.

SEN. D'AMATO: Well, what about private counsel? Did private counsel -- I find it hard to believe that there was no private counsel. Are you saying to me that there was not even private counsel that was meeting with staff lawyers at some level?

MR. ALTMAN: Not to my knowledge, Senator.

SEN. D'AMATO: Ms. Ford, do you know of any?

MS. FORD: No, I've had no involvement.

SEN. D'AMATO: Let me turn to the RTC report which was dated February 8th, which we received last evening about 9:00 -- Resolution Trust Corporation -- and say to you that, in reviewing this document, I think it goes a little further -- does a little better job than the one that came out of FDIC. I found it interesting that in its conclusion on page five and six, in its summary before it reaches its disposition, it says, A, Rose represented Madison prior to its failure; B -- and I am not reading the whole sentence -- Rose represented the FDIC/RTC subsequent to the failure of Madison; C, Rose did not disclose its representation of Madison before the Arkansas Securities Department to the FDIC or the RTC. Further, it did not report possible conflicts involving the brother-in-law and father-in-law of Webb Hubbell. And, by the way, I'm going to, Mr. Hove, read something to you that's quite illuminating. You better have your lawyers take a look at this. And when it gets all done doing that, it says, based on the factual conclusions in the RTC conflicts report -- it says we send it to counsel.

Now, I have to tell you that I am going to ask -- because you have no conclusion. It just says, "These are the facts; these are the facts, fellows. Now, you do with it what you want" and sends it to counsel -- general counsel. I'm going to ask that this report and any other relevant material that was gathered by those who were working on it be submitted to the inspector general. And as you've indicated before, you certainly wouldn't say, "I don't see any -- how that would impede anybody or anything." But I certainly would feel more comfortable that it goes to the inspector general as opposed to the general counsel. And I think it would guarantee the integrity of the review, certainly in this senator's mind and I think in others.

MR. ALTMAN: Fine.

SEN. D'AMATO: I thank you very much. I see that my time has expired. I have another observation to make, and I'll do that after -- at the appropriate time.

SEN. RIEGLE: Senator Kerry?

X001108

SEN. KERRY: Well, let me ask my colleague, is that going to be the last -- I mean, or is there intention of colleagues to go a whole other round?

SEN. D'AMATO: I think some colleagues have some other questions, and they'll raise them whenever --

SEN. RIEGLE: I think maybe we're going to have one more go- around here with those that are left who want to do so. And then I think we're probably done here.

SEN. KERRY: It was my understanding that we were going to have another hearing here in 10 minutes, which I'm also supposed to participate in. I'm just curious what the plans of the chairman are. If my time could not -- I'm just --

SEN. RIEGLE: They have a different room that they're meeting in --

SEN. KERRY: All right. So that's --

SEN. RIEGLE: -- so that we won't run into a room conflict. But we are late in the day, and the witnesses have been here a long time. So my intention would be to finish up a round here where everybody gets another turn at bat.

SEN. KERRY: Well, maybe I could ask another -- just procedurally. I don't want to really use my time at this point. But it seems to me that maybe we could ask if anybody has any more questions to ask of the chairman of the Federal Reserve, because it seems not a great use of his time to sit here if all we're going to do is talk about another subject.

SEN. DOMENICI: I -- is my turn imminent here? Or do I have a long wait?

SEN. RIEGLE: Let me get my batting order here.

SEN. DOMENICI: Because I don't want to keep him a long time, but I wanted to --

SEN. RIEGLE: Actually, you follow Senator Bond, who will come after Senator Kerry. Then we'll come back to Senator Boxer. So actually there are --

SEN. : How long is your question? Maybe they would let you get that --

SEN. DOMENICI: I don't want -- I don't have a question of Mr. Greenspan. I just want to state for the record that, frankly, I believe the actions you took over the last three or four years have a great deal to do with the status of the American economy. I frankly believe you were subject to some undue criticism, but if we have a solid recovery, I think it's very significantly related to the conduct of the Federal Reserve over the last 3-1/2, four years.

Maybe President Bush would have liked it differently, maybe Dick Darman would have, maybe it all could have happened earlier, but nonetheless, I think you're somewhat responsible, so I trust you at least on what you're doing now.

X001109

SEN. RIEGLE: That reminds me a little bit of watching some of that Olympic skating competition last night when they throw the bouquets out on the ice. You just threw a nice one to the chairman. Senator Kerry?

SEN. : You were critical of him. You wanted to loosen up even more.

SEN. RIEGLE: Well, the other day I think my comments were comments that reflected some understanding as to what the chairman's trying to do, and I think he's put additional light on that today. I don't think this chairman wants to strangle the economy. I'm speaking of Chairman Greenspan, and, you know, sometimes you can do that and not intend to. But I think he's trying to be as prudent as he can be. Senator Kerry?

MR. GREENSPAN: Excuse me. Mr. Chairman, is that -- (inaudible)?

SEN. RIEGLE: Are you excused? Can you take your bouquet and go? (Laughter.) Yes, you can. Senator Kerry?

SEN. BOXER: You get a 5.9 from me.

SEN. RIEGLE: Senator Boxer gave you a 5.9. (Laughter.)

SEN. BOXER: You skate so well (on the ice ?).

SEN. RIEGLE: Especially on the technical portion of the -- (laughter) -- of the program.

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RESUMPTION OF COVERAGE

x x x program.

SEN. : (Off mike.)

SEN. RIEGLE: Senator Kerry?

SEN. JOHN KERRY (D-MA): Mr. Chairman, I'm not sure I have time to stay through the whole process here, so I may review the bidding here a little bit. But just speaking as a former prosecutor, one of my colleagues over here was sort of questioning the duality. I can tell you, as a person who has presented evidence to grand juries and who has spent some time putting cases together, that there is nothing worse than having dual tracks, witness confusion, various statements appearing in public, multiple copies of documents moving around. I would be very surprised if Special Prosecutor Fiske decided to do it. It certainly wouldn't be a judgment that I made to make things public in the middle of an investigation because it inevitably taints somebody's something and it creates a very hard process for pursuing a track. What astonishes me here a little bit -- and I want to reiterate it -- I mean, we've got \$150 billion problem here which taxpayers are paying for. They're already angry enough about us wasting their time and duplicitous process. And here we are, frankly, with very important people in front of us having spent a morning not really examining where that \$150 billion went, not talking about it, but dealing instead with politics. And that's what this really comes down to, it's politics. It's totally unnecessary. In the context of the gentlemen who has been made a special prosecutor, a Republican appointed by a Democrat -- and let me just share with colleagues again quickly something about Mr. Fiske. This is an article from the New York Times right after he was appointed: "Robert Fiske's reputation for integrity and thoroughness is so entrenched that if he finds no wrongdoing during his investigation of the Whitewater affair, his findings could put rumors about Bill and Hillary Clinton's business dealings to rest. 'The choice is one that you simply can't argue with,' said former Treasury Secretary Nicholas Brady, a close friend of former President George Bush and a college classmate of Mr. Fiske's more than 40 years ago. 'He's one of those guys who has always conducted himself with integrity.'" The article goes on to say that: "Mr. Fiske, a 63-year-old Wall Street lawyer, earned his reputation by being an aggressive prosecutor. If the Clintons have something to hide, he could pose a formidable problem. If he lives up to his billing, at the very least his investigation will disrupt the lives of the first family."

Now, if that's not enough, if we don't have the patience to allow him to do his job and sit here and ask relevant questions about \$150 billion, we ought to ask what we're doing. I mean, this is why the taxpayers get so fed up because all we do is dig into politics. And there's a huge distinction between this case and prior cases because we are not looking at a current situation where the president is currently making decisions about current money being spent or current policy. This is something that happened when he was governor -- if whatever happened happened -- and I suggest that this prosecutor has the ability to get at it. If he doesn't, I'll join with Senator D'Amato, I'll be one of the first people -- I think I have a good reputation here on the basis of BCCI and Noriega and other investigative efforts in pursuing things. But I think back to the time that I was trying to do that. I didn't have any help from the other side of the aisle. We did not get subpoena power. We did not have the

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ability to have a full-fledged investigation in this committee on that. And I sat here with Tim Wirth and we tried again and again to get an extension of the liability. We also tried to get a special prosecutor. Most of my colleagues making a lot of noise about this now opposed having a special prosecutor. So I just think fair is fair at some point in this business. We all understand the game and we all understand what happens. But it seems to me that to take a 150 billion dollar fiasco and relegate it to a second tier for this 194 state-run -- who was the primary regulator of this institution originally? MR. : The -- originally it was the Federal Savings and Loan Insurance Corporation, and then later OTS.

SEN. KERRY: So it came to the federal government secondarily. And, I might add, for two years this case was closed. It wasn't until six weeks before the election -- and we ought to ask some questions about this -- that suddenly, when Bill Clinton was the nominee for president of the United States, that there was a criminal referral to the RTC, not until six weeks before the election. For two years while my friends controlled the elements of regulation, nobody was asking the questions that are being asked here today. So I'm not saying questions shouldn't be asked. I am saying we absolutely ought to get to the bottom of whatever took place. We ought to understand all these institutions because it's a sorry chapter in American politics. But that's going to happen, the 25 FBI agents and depositions and documents being made available, and the taxpayers of this country do not need us jumping all over each other for political purposes, avoiding the real issues that they would like us to dig into. And I don't think much more needs to be said beyond that.

SEN. RIEGLE: Senator Bond?

MR. : Mr. Chairman, may I make a correction?

SEN. RIEGLE: Yes.

SEN. KERRY: I think Senator Kerry asked who was the primary regulator. The primary regulator was the state of Arkansas.

SEN. KERRY: Well, that was what I was getting at. The primary regulator was the state.

MR. : Exactly. And the primary federal regulator was FSLC and OTS.

SEN. KERRY: Correct. So the issue of federal nexus here in terms of decisionmaking is only by transfer, not by original jurisdiction. So what we're doing is secondary to the third tier.

SEN. RIEGLE: Senator Bond?

SEN. BOND: Mr. Chairman, for the benefit of my friend from Massachusetts, I am going to submit a chronology and some questions for the record to the RTC to answer. I recall it was Jerry Brown of California who first raised the question during the 1992 campaign, but we all will be able to benefit from these questions, which are along the lines that Senator Kerry raised. I also have a series of questions for the FDIC and for the RTC which follow up on these other questions, but in the time remaining I do want to pursue a couple of items. When

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we last talked, Mr. Altman, you said that normal procedure would be for the RTC to seek out and acquire records wherever they were. Now, if the RTC under your direction were requesting records from the first lady at the White House, a rather high-profile event, would it not be customary for them to advise you that they were requesting records in the possession of the first lady?

MR. ALTMAN: Senator, I don't get involved in any substantive aspects of any PLS case, particularly -- or including documents that they may seek. So they've never brought that to my attention since I've been in this job, and that goes right through today.

SEN. BOND: So you wouldn't expect them to tell you.

MR. ALTMAN: No, I wouldn't.

SEN. BOND: I find that remarkable. In a normal criminal referral case, the RTC creates and retains an inventory of pertinent documents used to make the case. As I understand it, at least one version of the inventory has been provided to some members of Congress. Could you furnish to this committee the latest, most up-to-date inventory and provide the hearing -- for the hearing record along with the previous versions? Would you make that available?

MR. ALTMAN: Last evening we supplied the -- 6,500 pages of information to Senator D'Amato's office, as we had some time earlier to Congressman Leach. SEN. BOND: And is that the entire inventory? Are those all the documents? You give new challenge to Federal Express and Overnight Postal Service to get the delivery of such a substantial stack of documents at the particular time, a new standard for delivery in package express.

MR. ALTMAN: Well, I have here a list of the documents.

SEN. BOND: Is that the latest version?

MR. ALTMAN: This is just a list of what the documents are. There's 6,500 in total pages. This is a list of the documents we provided.

SEN. BOND: If you could make one available for the record, we would like to have that. I'd appreciate it.

MR. ALTMAN: Be delighted.

SEN. BOND: Next, when did you become aware of the RTC recommendations that further criminal prosecution be taken against Madison?

MR. ALTMAN: Last fall I was advised that the question of a referral to the Justice Department was under consideration at the RTC, and as other members of the RTC staff will attest, I said that normal procedures, with no deviation whatsoever, should be pursued, including chain of command procedures, in terms of reaching that conclusion.

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I might tell you that typically decisions like that are made at the regional office level, and that it was in this case.

SEN. BOND: Were you aware that the regional office had asked the national office to make a determination as to whether the Clintons' name should be in the new expanded referral?

MR. ALTMAN: No.

SEN. BOND: You did not know they were asking for the national office to make a determination on that?

MR. ALTMAN: No. I was simply informed that this issue was on the table, and my reaction was -- I had only one conversation about it -- that normal procedure should be followed. That's the way we're going to handle this thing from beginning to end.

SEN. BOND: How was the White House notified of the referral? Was it from your agency?

MR. ALTMAN: They were not notified by the RTC, to the best of my knowledge.

SEN. BOND: Nobody in your agency, to your knowledge, advised the White House staff that this was going to be a major -- this could be a major source of concern?

MR. ALTMAN: Not to my knowledge.

(Confers off mike.)

Ms. Ford, do you know if the White House was notified by the RTC?

MS. FORD: No, we have had no involvement at the Oversight Board whatsoever.

SEN. BOND: When was the firm of Madison & Pillsbury put on retainer by the RTC, do you know? And for how long and what cost?

MR. ALTMAN: I don't know that. I'm aware that that firm has been retained as outside counsel on this matter, but I'm not aware of the date on which it was retained nor the retainer arrangements.

SEN. BOND: Will they review the potential of suing the various law firms who represented Madison or the board of directors?

MR. ALTMAN: I don't know the answer to that question.

SEN. BOND: We'd appreciate knowing that, if you could, later. And if there are other outside counsel or consultants hired in conjunction with the case, we would like to know that. And finally, I'm advised that the list you have there is just an inventory of the documents provided to Senator D'Amato; it is not the complete inventory of the documents pertaining to Madison. And if I'm mistaken, in either event, we would appreciate receiving a copy of the inventory of the entire documents.

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MR. ALTMAN: Well, Senator, I'm not sure I fully understand your question. But what we have released amounts to what we've been asked for, less any documents that, in our judgment, could prejudice the investigation. I told you earlier that we'd had a couple of conversations -- I haven't had them; I'm advised there were a couple of conversations with Mr. Fiske, with each side asking the other not to release information or take any other steps which would prejudice either side's investigation, and we're trying to adhere to that.

SEN. BOND: As I understand it, that you have prepared an inventory. I'm not asking for the documents themselves, but I understand that you had prepared an inventory and had furnished perhaps members of the House side, or others, with the inventory, not the contents of the documents.

MR. ALTMAN: Any information, I assure you, that we have supplied to Congressman Leach or anyone else -- elsewhere in the Congress, we're delighted to supply to you or anyone else here that would like them.

SEN. BOND: Would that include an inventory, a cataloging, not the contents but a cataloging of the documents in the Madison case?

MR. ALTMAN: We will supply you with any information to that extent that we can which does not get into areas that we think would prejudice the investigation. SEN. BOND: Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Boxer?

SEN. BOXER: Mr. Chairman, I'd like to -- I'm still working.

SEN. RIEGLE: All right. Senator Domenici, you're next in the order.

SEN. DOMENICI: Mr. Altman, you spoke a while ago of your one contact with the White House regarding this, and you and your counsel went up to talk to the White House counsel.

MR. ALTMAN: Yeah, one substantive contact.

SEN. DOMENICI: Please?

MR. ALTMAN: One substantive or meaningful contact.

SEN. DOMENICI: Yeah. Well, I assume -- we're not arguing there that you had -- you're not suggesting you had more than one, are you?

MR. ALTMAN: No. I'm just saying that if you -- you know, you run into someone in the hall -- did you see that thing in the paper this morning? -- I'm not including that.

SEN. DOMENICI: All right. You said you were there to give a heads-up. What I understand the situation to be on average folks, a couple of them in my state that were bordering up

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alongside of a statute of limitations becoming a defense, they were presented with a tolling agreement, and if they didn't sign it, suit was filed so as to toll the statute. Is that a rather fair assessment of the way business is done?

MR. ALTMAN: I think I'd have to know the details of the matter, Senator.

SEN. DOMENICI: Well, I guess what I'm wondering, are we getting the right perspective of why you did this? Did you go there because you wanted them to know that clearly they might be asked to sign a tolling agreement, or to know that the normal process was that the toll -- the statute's going to toll, and there's reasonable grounds to suspect something, they might expect a lawsuit? Or why else would you give them heads-up?

MR. ALTMAN: The difference between this and a matter like the one you referred to is that I had been receiving -- had begun to receive a lot of inquiries, including in writing from Congress, as to what procedures the RTC was going to follow, and I wanted to give them the same sense of those procedures that I was giving members of Congress. And I said to them nothing different than I've said to members of Congress.

SEN. DOMENICI: Well, I understand that, but I guess what I'm getting at is there must have been a reason for telling them that. Congress was just saying the statute's going to run, what are you going to do, so you went over there to tell them that we're going to apply the same thing we do in any other case? And that's the heads-up that you were giving them?

MR. ALTMAN: That's right.

SEN. DOMENICI: Was it serious enough that you wanted them to know because there might be something that they would be confronted with that was untoward as you applied your rules, like asking for a tolling agreement or filing a lawsuit? MR. ALTMAN: Again, the essence of what we said was that the statute of limitations which then applied was scheduled to expire on February 28, 1994; that the RTC was going to make every effort to make a decision by that date. It could fundamentally reach only one of two decisions, that there was a basis for a claim or that there wasn't. If there was a basis for a claim then we would either seek a tolling agreement to permit more discovery and more preparation or we would file that claim in court.

SEN. DOMENICI: Well the passage of the statute of limitations extension eliminates that problem as you have already indicated.

I guess, Mr. Chairman, I'm having a little difficulty with explanation because one way of looking at it was that it was not a very meaningful or important meeting -- that he was just doing this so that he would be able to tell Congress he had told them he's going to treat them the same way as others. I don't think a man -- you know, I know you fairly well -- I don't think you would be going over there to just be able to send this letter to Senator D'Amato that says I have told the White House that they're going to be treated the same way as other people --

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MR. ALTMAN: Senator, I did not know whether they knew of such procedures which as I say I was then communicating to members of Congress and it just seemed to me a little odd to explain to a member of Congress that we're going to follow "XYZ" procedures and not have them ever be made aware of what those were.

SEN. DOMENICI: Well, I want to close on this remarks by thanking you, Mr. Chairman, for holding these hearings. I hope the public understands the Republican response to Senator Kerry, you know, it's almost an insult to accuse us of not being concerned about oversight and that some how or another the other side is more interested in how the RTC turned out. Frankly, that's just borders on being a joke. This hearing, we have all your statements, we're going to read them. So we're going to know what you were going to say. If you sent it to us yesterday, our staff has probably read it already and they'll brief us so we're going to know. My last observation would be that it's inconceivable to me Mr. Altman that you would really be concerned that the people involved in the investigation, whomever they are, whether it be the people in Arkansas, whether it be confidants of the President, whomever, that they would not know that the statute of limitations was going to toll and that that presented a situation that you had to advise somebody on.

I just don't think anybody involved in this would not know that.

MR. ALTMAN: Senator, I also -- I would agree with you. I can't say for sure. I don't know what was in their minds. I doubt very much that they did not know about the statute of limitations.

SEN. DOMENICI: Right.

MR. ALTMAN: What I was saying was not that. What I was saying was I did not know if they knew and, frankly, my impression is, as a result of that meeting, they hadn't previously known what procedures the RTC would be following. By that I mean that you have to choose between -- you have to reach a conclusion as to whether there's a claim or there isn't, and then what you have to do if you reach the conclusion that there is.

SEN. DOMENICI: All right. Thank you very much.

SEN. RIEGLE: Thank you.
Senator Faircloth?

SEN. FAIRCLOTH: Thank you, Mr. Chairman. And I will echo Senator Domenici. You have done a superb job of conducting. And I'll be very brief. My questions are to Mr. Hove. Mr. Hove, we keep coming back -- you said the FSLIC issued this report, who has long been out of business, and did the investigation on Mrs. Clinton and her relationship.

MR. HOVE: No, sir, I didn't say FSLIC. I said that the agency that handled the closing of First American was FSLIC, and that occurred before FDIC had any involvement in that.

SEN. FAIRCLOTH: All right. But who did the investigation -- I assume there was one done

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-- to determine that Mrs. Clinton had no involvement whatsoever that was worthy of looking at?

MR. HOVE: We did not do an investigation, we did not do a review because we don't have all the records. The records are the old FSLIC records that are not in one central repository. All we did was review the records that we had available at the FDIC, and the records that we had at the FDIC only indicated that Mrs. Clinton's involvement, from the records that we could review, was the two hours that she spent filing the amended complaint for her partner, Vince Foster.

SEN. FAIRCLOTH: So, what you're saying really is that you did a very incomplete and surface investigation.

MR. HOVE: We did not -- we simply looked at the records that we had, and we did not make an investigation any further than the records that we had available to us at the FDIC.

SEN. FAIRCLOTH: Well, I would say that Mr. Whitney (sp) issuing such a clearance for Mrs. Clinton in the name of the FDIC doesn't lend a lot of credibility to an FDIC investigation when he makes his statements and when you didn't really have the records to make an investigation, from what you're telling me.

MR. HOVE: What we were doing was correcting the information that was erroneous in the Chicago Tribune report because the Chicago Tribune said that it was an FDIC case, we said it was not an FDIC case. And we also said that from our records, this was the only involvement that we could have.

SEN. FAIRCLOTH: Well, don't you think it would be a good idea to hunt up the old FSLIC records and see what they might lead you farther? But I have a question, and then I'm going to -- (inaudible word).

The original suit was \$3.3 million. They settled it for 6 cents on the dollar, or \$200,000. What I want to know is how much was Mrs. Clinton paid, or the Rose law firm.

MR. HOVE: I can't tell you. I don't know that.

SEN. FAIRCLOTH: Can you find out?

MR. HOVE: We can try.

SEN. FAIRCLOTH: Well, I would like for you to let me know as quickly as possible how much the Rose law firm was paid, and also their work records to indicate who did the work to earn the money, because -- you say she worked two hours.

MR. HOVE: I didn't say that. I said the only thing that we can ascertain from the records we have was that she worked two hours. And let me remind you, Senator, that these records are disbursed from wherever FSLIC had the records, and we did not take possession of those

records when FSLIC was closed down.

SEN. FAIRCLOTH: Are those records still available?

MR. HOVE: I don't know.

SEN. FAIRCLOTH: If she settled the lawsuit, the amount of hours she worked -- it is just impossible for me to believe she settled this lawsuit against Lassiter (sp), she signed the amended return, which was the settlement, the amended complaint, which was the settlement against Lassiter, at a very favorable rate, then we turn around and find that Lassiter's -- the person with his power of attorney is back in the White House working.

MR. HOVE: Senator, the amended complaint reduced the complaint from 3.3 million to 1.3 million. The suit -- the settlement was some six months later. I don't know whether Mrs. Clinton had any involvement after that period of time in which she amended the complaint from 3.3 [million] down to 1.3 [million].

SEN. FAIRCLOTH: So we have no idea whether Mrs. Clinton made the final settlement totally.

MR. HOVE: I have no idea from our records and what we've seen --

SEN. FAIRCLOTH: And this two-hour thing -- she could have worked 200 hours.

MR. HOVE: What I have told you is what we have available at the FDIC.

SEN. FAIRCLOTH: But she could have worked 200 hours on it.

MR. HOVE: And all I'm telling you is that the records that we have indicate she worked two hours.

(Confers off microphone.)

Okay, the only records we have was that she billed FSLIC for only those two hours.

SEN. FAIRCLOTH: Billed who?

MR. HOVE: FSLIC. (Pronounces each letter.)

SEN. FAIRCLOTH: How about getting the total records from FSLIC and finding out how much the total bill was and whose time was billed? I'd like to see it. Thank you.

SEN. RIEGLE: Senator D'Amato?

SEN. D'AMATO: You know, Mr. Hove, I have difficulty if you really have trouble figuring out when a claim is initially lodged for \$3 million and then it is reduced and you say, well, you know, the law firm or this partner -- in this case, Mrs. Clinton -- only billed for two hours. But the nature of the work was such as to reduce that lawsuit and the potential

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liability to Mr. Lassiter (sp), who has a definite relationship with the Clintons. I mean, are we really to believe you don't understand that? Now, don't give me this two-hour stuff. I mean, the fact is that that claim was reduced -- the potential of the claim -- from 3 million down to a 1 million some odd, and therefore, a settlement of \$200,000 is much more reasonable in appearance when the initial -- when the suit is only asking for a 1.3 million as opposed to 3 million. Now, doesn't that make some -- I mean, do you see why a senator or anyone else would make an inquiry and say, "Look" -- I mean, what's the situation here? Are you telling us there was no conflict there.

MR. HOVE: But, Senator, you're asking FDIC, and FDIC did not have any involvement in that suit at that time.

SEN. D'AMATO: I'm not suggesting that. What I'm suggesting to you is that a period of time it came under you for review.

And if you look at this -- don't keep telling us that FDIC didn't have anything at that time. We're not suggesting that you did anything wrong. We're suggesting you take a look at the facts, take a look at the record, and you can be a school boy, you can't come to an inescapable conclusion that someone was retained to bring the lawsuit that had a relationship with the person that they brought a suit to. And as a matter of fact, whether it was two hours or one hour, the determination was made to reduce the claim that might bring the potential liability from \$3 million down to \$1 million and eventually settle for \$200,000. Now, we don't know who was responsible for the settlement. But the fact of the matter is that the partner who reduced and amended that complaint was Mrs. Clinton. Now that's obvious. I'm not going to spend my time going back and forth with you. I'm going to tell you something else, though. When we talked about the potential for conflict before, as it related to the Madison Guaranty and Mr. Hubbell, I want to refer you to a letter of June 8th, 1989. Now, Mr. Hove, you stated that since the Rose law firm -- when I first brought this up to you -- was suing Frost, it wasn't relevant that Web Hubbell's brother-in-law and father-in-law were suing Madison. Now, if you take a look at that letter -- and I'm going to suggest to you that you're wrong, and that's why you'd better have the IG look at this. June 8th, 1989, and it is written to April Breslaw (sp), Attorney, Federal Deposit Insurance Corporation. I'm reading part of it:

"Mr. Hubbell is the son-in-law of Seth Ward, a Madison insider who was able to obtain a judgment against Madison of approximately \$447,000." Now, I'm going to skip the next sentence, go down to --

"Since the conservatorship, the case has been removed and later remanded back to the State Court of Appeals. After appeal, a new trial will be sought, whether in state or federal court. At a minimum" -- it goes on to say -- "the state judgment will be attacked under various special FDIC defenses on its general inappropriateness. Miss Styrahorn (ph) has informed me that the informal -- the information contained in the audit files could be damaging to our case, especially if a new trial is granted."

It goes on and it concludes: "I offer this information because there appears to be a conflict in

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representation and a question of loyalties. Mr. Hubbell may or may not be able to compromise our interest in the Seth Ward matter." Now, look, I'm not suggesting that at that time that you know of it. Here it is. And that's why, if you don't refer something to the IG to clarify whether or not there was a conflict, you can't be doing the right thing. And for you to maintain, "Well, we weren't there at the time; it was at FSLIC" or "Maybe the rules were a little vague." I mean, for god sakes, you had lowly auditors saying, "Wake up, fellas." You had an auditor in another letter saying it's impossible to think that he's not going to tell his in-laws what's going on. So that's the kind of thing that brings about maybe the stamping that one of my colleagues alluded to.

Mr. Chairman, notwithstanding first of all I'm going to ask that we be permitted to submit some documents for the record that have been returned to --

SEN. RIEGLE: Without objection, so ordered.

SEN. D'AMATO: -- so we can keep an orderly proceeding.

Secondly, I want to say before I conclude that you could not have been fairer in making available this opportunity and according the members the opportunity to make their presentations and to ask their questions under very difficult circumstances. So I want you to know that. And I think that I speak for all the Republicans on the committee in relationship to the manner in which you have conducted this proceeding. And it's not easy for you, and I just want to commend you for your impartiality.

And let me conclude again. I think what we're interested in, in this, is seeing -- and Senator Domenici said -- that the process moves forward without there being interference, without there being a question as to what documents have been made available to the appropriate people, what has been taken. Some of these things have no -- I see Mr. Altman. He's placed in a very, very difficult position. I've said that publicly as well. It is a very, very difficult situation. And it certainly -- it leads to us raising the kinds of questions that we have. But I tell you this senator wants to see that what was supposed to be done was done, that what should be done at the present level is carried out in a manner in which everyone can say that the right thing was done. And then let the chips fall where they may.

So, Mr. Chairman, again, thank you for providing us an opportunity to put forth our concerns, and hopefully, this will move us a step closer to resolving this matter. Thank you. SEN. RIEGLE: Thank you very much. We'll give you some questions for the record, and we'd ask you to respond to them. The committee stands in recess.

END

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SYNOPSIS OF WHITEWATER/MADISON GUARANTY MATTER

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IV. THE FOSTER SUICIDE AND SUBSEQUENT EVENTS

Mr. Foster committed suicide in July 1993. After his death, in the presence of law enforcement officers, White House counsel Bernard Nussbaum reviewed the files in Mr. Foster's office. The files were ultimately separated into three categories: those relating to White House legal matters, which were assigned out to other counsel in the office; those relating to the Clintons' personal legal matters, including Whitewater, which were turned over to the Clintons' personal attorney; and those relating to Mr. Foster personally, which were turned over to counsel for the Foster family. All of the Whitewater files that were in Mr. Foster's office at the time of his death were maintained by the personal law firm.

V. THE INVESTIGATION

Shortly before Christmas, press reports erroneously suggested that files had been improperly removed from Mr. Foster's office before the review described above. To avoid any question about the Clintons' desire to cooperate in the Department of Justice investigation into Madison Guaranty, the President ordered his attorney to turn over all relevant records to the Department. As would be entirely routine and to protect the integrity of the investigation, the President's lawyer requested a subpoena to cover the documents. Delivery of the documents to the Department began on January 6. Those documents will be reviewed by the grand jury investigating Madison in Little Rock.

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(draft 1/7 5:00 p.m. (wne))

SYNOPSIS OF WHITEWATER/MADISON GUARANTY MATTER

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(K)

(draft 1/8 1:00 p.m. (wne))

SYNOPSIS OF WHITEWATER/MADISON GUARANTY MATTER

1231

X001128

REDACTED

REDACTED

X001129

IV. THE FOSTER SUICIDE AND SUBSEQUENT EVENTS

Mr. Foster committed suicide in July 1993. No files were removed from his office prior to an examination of those files by White House Counsel Bernard Nussbaum in the presence of law enforcement officers. In the presence of those officials, Mr. Nussbaum reviewed and noted the files in Mr. Foster's office, including a file related to Whitewater. The files were ultimately separated into three categories: those relating to White House legal matters, which were assigned out to other counsel in the office; those relating to the Clintons' personal legal matters, including Whitewater, which were turned over to the Clintons' personal attorney; and those relating to Mr. Foster personally, which were turned over to counsel for the Foster family. The few Whitewater files that were in Mr. Foster's office at the time of his death were sent to the Clintons' personal law firm for safekeeping and storage.

V. THE INVESTIGATION

Shortly before Christmas, press reports erroneously suggested that files had been improperly removed from Mr. Foster's office before the review described above. To avoid any question about the Clintons' desire to cooperate in the Department of Justice investigation into Madison Guaranty, the President ordered his attorney to turn over all relevant records to the Department. As would be entirely routine and to protect the integrity of the investigation, the President's lawyer requested a subpoena to cover the documents. Delivery of the documents to the Department began on January 6. Those documents will be reviewed by the grand jury investigating Madison in Little Rock.

FAX TRANSMITTAL



Office of the General Counsel
DEPARTMENT OF THE TREASURY
1500 Pennsylvania Ave., N.W., Room 3000
Washington, DC 20220
Telephone: (202) 622-0287
FAX: (202) 622-2882

DATE: Feb. 3, 1994

TO: Mr. Bernie Nassbaum

PAGES TO FOLLOW: 14

FROM: Juan Hanson

SUBJECT: RTC

Addressee FAX No.: 456-6279 Confirmation No.: 456-2632

Notes and Special Instructions:

X001131

JOHN A. CONRAD, TEXAS, CHAIRMAN

STEPHEN L. REAL, NORTH CAROLINA
JOHN A. LAMAR, NEW YORK
GREGG A. WOFF, CONNECTICUT
THOMAS E. SCOTT, NEW YORK
GARY R. FRANK, MASSACHUSETTS
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GEO. FISHBURN, IOWA

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ONE HUNDRED THIRD CONGRESS

3128 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6060

February 3, 1994

JOHN A. LAMAR, NEW YORK
GARY R. FRANK, MASSACHUSETTS
GARY R. FRANK, MASSACHUSETTS
GARY R. FRANK, MASSACHUSETTS
GARY R. FRANK, MASSACHUSETTS
ALVIN K. BAKER, NEW YORK
GREGG W. SPENCER, CALIFORNIA
MARGARET WATERS, CALIFORNIA
LARRY LUGGINS, TEXAS
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CLAY FIELDS, LOUISIANA
HELEN BART, NORTH CAROLINA
MARJORIE HENRY, NEW YORK
GARY E. BOGLEY, CALIFORNIA
BOB BLANK, PENNSYLVANIA
GEO. FISHBURN, IOWA

Mr. Roger C. Altman
Interim CEO
Resolution Trust Corporation
801 17th Street, NW
Washington, DC 20434

Dear Mr. Altman:

I am in receipt of your February 1, 1994 response to the letter initiated by Senate Republican leadership concerning Madison Savings and Loan and I am pleased to learn that the RTC "will vigorously pursue all appropriate remedies" with regard to Madison's failure. It seems self-apparent that in order for the RTC to pursue vigorously all remedies it must have all relevant information at its disposal. Accordingly, I urge the RTC to seek and review all Whitewater Development Corporation documents turned over by the White House to the Justice Department.

In its investigation of Madison, the Minority has uncovered links between Madison and Whitewater, some of which may have contributed to the thrift's failure. Not only did James and Susan McDougal hold significant ownership interest in both entities (approximately two thirds in Madison and one half in Whitewater), but the other joint owners of Whitewater (Bill and Hillary Clinton) appear to have benefited directly and indirectly from the application of Madison resources. [See the attached memo.]

If the White House chooses to use the Justice Department to shield Whitewater documents not only from the public and Congress, but from other government agencies, such as the RTC, which have legitimate public law enforcement responsibilities, it is hard to believe a responsible resolution of the issues involved can be made by regulatory authorities.

I have high regard for your personal integrity, but as you know, from the beginning, it has been an awkward situation to have a presidentially appointed and confirmed officer of the Treasury Department also head an independent federal agency, the Resolution Trust Corporation (RTC). When this prospect was first suggested at the beginning of the Clinton Administration, it did

X001132

Mr. Roger C. Altman
Page 2
February 3, 1994

not strike the Minority as overly unreasonable for a month or two given the fact that no RTC head had been selected.

However, it has been over a year since the Administration has been in office and it can only be described as structurally unseemly for a political appointee of an Executive branch department to make what are in effect, law enforcement decisions for an independent federal agency as they may touch upon the President.

Accordingly, I would urge that you request from the Department of Treasury's General Counsel and Ethics Office advice as to whether you, as interim CEO of the RTC, are obligated to recuse yourself from any decisions concerning the resolution of Madison Guaranty. Just as the special counsel law was designed to relieve the Attorney General from an ethical dilemma of being both chief law enforcement officer for the nation and chief legal advisor to the President in circumstances when the President or a high level Administration officer is the subject of investigation, so it would appear ethically questionable for a political appointee of the Department of Treasury to make decisions for an independent federal agency when the President may be implicated in enforcement and civil actions.

In this regard, it should be clear that the issue is not whether a presidentially appointed official can oversee an investigation involving the President. Rather the issue is that officials with this responsibility should be confirmed for the job with that particular accountability. As you will recall it was a political appointee confirmed by the Senate that issued a cease and desist order for engaging in conflicts of interest against the son of a former President.

As you know, despite your strong letter to the Chairman of the House Banking Committee recommending against extension, Congress last year extended the statute of limitations for civil lawsuits brought against S&L wrongdoers. As you pointed out in your most recent letter, this extension "has afforded the RTC an opportunity to investigate further any civil claims which may be asserted against individuals or entities associated with Madison Guaranty for fraud, intentional misconduct resulting in unjust enrichment, or intentional misconduct resulting in substantial loss to the institution." Given, however, the impending running of the statute of limitations for certain kinds of actions, time is clearly of the essence for the RTC to make judgments about civil accountability in the failure of Madison.

Finally, I would like to reiterate my request, pursuant to Rules X and XI of the House Rules for all documents related to Madison Guaranty Savings and Loan, Little Rock, Arkansas. As you know,

X001133

Mr. Roger C. Altman
Page 3
February 3, 1994

on December 9, 1993, I wrote the RTC requesting access to all documents related to Madison Guaranty and its subsidiaries.

House and Committee Rules, House practices, and judicial precedent support the proposition that the Ranking Minority Member is the functional counterpart to the Chairman for Committee action. This being the case, a request for documents made by the Ranking Minority Member has parallel standing with a request made by the Chairman of the Committee. The Ranking Minority Member clearly has a voice in the process and is entitled to information that will enable the Ranking Minority Member to carry out his constitutionally mandated oversight responsibilities.

Therefore, the courtesy of a definitive reply to this document request is requested by 12 noon, Monday, February 7, 1994. On this matter, it is urged that you also consult with the Ethics Office as to the relevance of the previously discussed recusal issue.

Again, let me stress that to the degree a conflict situation may exist in this matter in no way reflects on your personal integrity. It is simply an awkward circumstance in contrast to a personal embarrassment.

Sincerely,



JAMES A. LEACH
Ranking Member

JAL:gp

Enclosure

X001134

MEMORANDUM

TO: Congressman Leach
FROM: Banking Minority Staff
RE: Madison Guaranty ("Madison")

In reviewing documents related to Madison in the possession of Minority Banking, we have come across material which may indicate direct payment of a loan of Bill Clinton's by Madison through a subsidiary.

Since the Minority's investigation is concerned with the possible misuse of federally insured funds to assist Whitewater and/or the former Governor, we thought we should share the following information with you.

SUMMARY

Based on documentary evidence available to the Minority, it appears that Madison Marketing served, in at least one instance, as a conduit of funds from Madison Guaranty to Whitewater and Governor Clinton. If this is correct, it would appear that insured funds from the failed Madison Guaranty were diverted and directly benefitted the Governor and his investment in Whitewater, a claim Clinton had denied.

DOCUMENTATION

- In 1983, Bill Clinton obtained a loan from Security Bank of Paragould, Arkansas for approximately \$20,800 (loan #975-585, Bill Clinton). The money from this loan was used to pay off the remaining balance of a loan at Madison Bank and Trust of Kingston, Arkansas that was provided for the purpose of constructing a modular home on lot #13 at Whitewater Estates. The loan at Madison Bank was provided in 1980 to Hillary Clinton in the amount of \$30,000.
- On November 8, 1985, James McDougal sent a letter accompanied by a check to Charles Campbell, Vice President of Security Bank of Paragould, for \$7,322.42. The letter from McDougal states that the check is principal and interest payment on "Note #957-585, Bill Clinton." [Note: It appears that the loan number is a typographical error with the superimposing of numbers 5 and 7 in the first three digits.]

(2)

- The check McDougal enclosed with his letter to Mr. Campbell is a Whitewater Development Corporation check dated November 7, 1985. The loan number referenced on the memo portion of the check is "Note #975-585."
- According to the check ledgers for the Whitewater Development Corporation (WDC), the corporation's checking account had the following balances: \$189.50 on 10-10-85; and, \$11.49 on 10-31-85. However, in order to cover the payment of \$7,322.42 on the Clinton loan, a deposit is recorded on November 8, 1985 in the amount of \$7,500.00. The deposit is listed as coming from "Madison Marketing."
- A 1986 Federal Home Loan Bank Board exam gives the impression that Madison Marketing was largely a sham corporation used to divert federally insured resources to insiders. The exam notes that "Until 1986, Susan McDougal owned Madison Marketing." The report also states the following:

"Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,532,000."

"Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work ... appears to be performed by others. It would appear that Madison Guaranty could have an employee perform similar work for much less money."

"Mr. Latham (an officer of Madison) stated that Madison Marketing made no payments to any stockholders. This statement is false. As part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal (a large stockholder of Madison) which total \$50,000. This was a test, and there may be additional payments."

CONCLUSION

Given the above circumstances, it would appear that federally insured deposits (i.e., funds from Madison Guaranty through Madison Marketing), which, with the later failure of Madison became, in effect, taxpayer obligations, were transferred for the direct personal benefit of the former Governor.

The above payment also raises the question of whether Whitewater

(3)

was treated as an affiliate or related interest of Madison Guaranty and therefore subject to conflict of interest statutes. From a legal perspective, it could be argued that the McDougals' controlling interest in Madison Guaranty and their substantial ownership interest in Whitewater could qualify Whitewater as an "affiliate" of Madison Guaranty. Even if Whitewater is not considered a subsidiary, related interest, or affiliate of Madison Guaranty, such an extension of funds to a presumably "unaffiliated" entity would be very unusual and suspect.

It has been publicly reported, with respect to this loan repayment, that both Whitewater and the Clintons took a tax deduction related to interest paid on the same loan -- which the Clintons later recognized as improper double deduction after an article ran in the New York Times. What remains unclear is the larger question of whether the funds provided by Madison to reduce the Clinton's liability were proper or properly reported as income for income tax purposes.

As you know, we have received broad hints from within the RTC that the agency has had under review money transfers from Madison to Whitewater. We will not know whether this type of activity was more pervasive and part of a larger pattern unless, and until, the agency provides us the documents we have requested. If Madison provided any direct or indirect assistance to Whitewater, presumably half the value of such would redound to the advantage of each of the half owners. In any regard, the above money transfer underscores that then Governor Clinton had personal liabilities reduced by a payment from Madison. Such payment presumably carries ethical as well as tax implications and is part and parcel of the \$47 to \$60 million estimated taxpayer loss at Madison.

Attachments

1240

Bank

X001137

P.O. BOX 670

PARAGOULD, ARKANSAS 72450

901-239-9971

September 30, 1983

Governor Bill Clinton
1800 Center
Little Rock, AR 72205

Dear Governor Clinton:

Enclosed is a copy of our check #12677 in the amount of \$20,800.00 representing the proceeds of your note. The original was mailed to: Madison Bank & Trust, Kingston, Arkansas.

Sincerely,

Charles D. Campbell

Charles D. Campbell
Vice President

CDC/lam



Security Bank

P. O. BOX 670
PARAGOULD, ARKANSAS 72450

PAY

No 12677

9-30 83

81-02-041

\$ 20,800.00

TO THE
ORDER OF: Madison Bank & Trust

208

NOT NEGOTIABLE

OR loan proceeds for Gov. Bill Clinton

⑆084100829⑆

2725-AS1P

1241

X001138

JIM McDOUGAL

P. O. Box 1581

Little Rock, Arkansas 72203

November 8, 1985

Handwritten:
J. Mc Dougall
copy

Mr. Charles D. Campbell
Vice President
Security Bank
P. O. Box 670
Paragould, Arkansas 72450

Re: Note #957-585, Bill Clinton

Dear Mr. Campbell:

Enclosed is a White Water Development Corporation check for \$7,322.42, representing principal payment of \$5,000 and interest payment of \$2,322.42, on the above note.

Thank you for your attention to this matter.

Sincerely,

Handwritten signature: Jim Mc Dougall
Jim McDougal

JM/ss
Enc

X001139

WHITE WATER DEVELOPMENT
CORPORATION, INC.
3708 CANTRELL, SUITE 202
LITTLE ROCK, ARKANSAS 72202

000145

81-7419/2841

PAY TO THE
ORDER OF

Security Bank of Paragould

97,322.4

Seven thousand three hundred twenty two and 4/10 DOLLAR



Medison County
ARKANSAS

FOR

Chk. # 975-585 for \$97,322.40

James B. McDaniel

000145 42841741920 2 301 515P

*Account notation on
chul 3-10-85
for notation on
reduced letter -*

X001140

| | | |
|----------------|-------------------------|--------|
| 000143 | SA DEPT 500 | 3 59 |
| 10-10 | 9-10-10 9-10-10 9-10-10 | 4 37 |
| Thompson Yarns | | |
| | 255 18 | |
| for | | |
| | | |
| | TOTAL | 289 50 |
| | AMOUNT THIS CHECK | 110 40 |
| | BALANCE | 189 50 |

This is the

white
water Charlie
leger

Drawn on Madison

| | | |
|-------------------|----------|--|
| 000144 | 10-14-10 | |
| for | | |
| TOTAL | | |
| AMOUNT THIS CHECK | 177 60 | |
| BALANCE | 11 90 | |
| 10-14-10 | 12 49 | |
| 000145 | 11-7-10 | |
| for | | |
| TOTAL | 7500 00 | |
| AMOUNT THIS CHECK | 7512 49 | |
| BALANCE | 196 51 | |

X001141 220.

IN THE CIRCUIT COURT OF PULASKI COUNTY, ARKANSAS
SECOND DIVISION

FILED

MAR 14 1931

MAR 14 1931

MADISON GUARANTY SAVINGS AND
LOAN ASSOCIATION, a State
Chartered Savings and Loan;
MADISON FINANCIAL CORPORATION,
a wholly owned subsidiary of
Madison Guaranty Savings and
Loan Association.

Plaintiffs.

vs.

No. 28-1193

FRUIT & COMPANY, an Arkansas
Professional Association, and
its directors James Alford,
Michael Robinson, Gary Gray,
Gaines Horton, Tim Gibson,
Steve Humphries, Alan Duncan,
Frank Butte, Marjorie
Itzhovitz, John Ross A.
B. C. D

Defendants.

FIRST AMENDED COMPLAINT

COMES NOW, Plaintiffs, and for cause of action state
follows:

2

PARAGRAPHS

1. Plaintiff Madison Guaranty Savings and Loan Assoc.
(hereinafter, Madison Guaranty) is a state savings &
association duly chartered under the laws of the Sta.
Arkansas. Plaintiff Madison Financial Corporation (herein
Madison Financial) is a state chartered corporation and
owned subsidiary of Madison Guaranty.

2. Defendant Fruit & Company is a professional assoc
or partnership of public accountants with its principal of
business in Little Rock, Arkansas, comprised of the fol
individual partners who are set forth as Defendants in par
3.

3. Defendants James Alford, Michael Robinson, Gary
Gaines Horton, Tim Gibson, Steve Humphries, Alan Duncan,
Butte, Marjorie Itzhovitz, John Ross A. B. C. D are direc

X00:142

7. John Latham at all relevant times was the President and Chief Executive Officer of Madison Guaranty and a member of its Board of Directors; and a member of the Board of Directors and the Secretary of NRE.

8. Susan McNeugal was at all relevant times wife of James B. McNeugal, member of the Board of Directors of Madison Guaranty, President of Madison Real Estate, a division of NRE, and President of Madison Marketing, a service provider to Madison Guaranty and NRE.

9. Madison Real Estate was a real estate brokerage operation owned and operated by Madison Financial with its principal broker Susan McNeugal.

10. Madison Marketing was an advertising agency through which Madison Financial and Madison Guaranty purchased all of its advertising for itself and NRE's real estate developments.

11. Jim, David and Bill Hanley ("Hanley Brothers") were real estate agents and/or developers for Madison Real Estate, who on property and received substantial commissions and/or development fees from Madison Financial.

12. Frost & Company purported to serve as independent auditor of Madison Guaranty and its consolidated subsidiary Madison Financial for the years 1984 and 1985.

13. James B. Alford at all relevant times was the audit consulting partner of Frost & Company in charge of the Madison Guaranty audit.

14. Federal Home Loan Bank Board ("FHLBB") is the primary federal regulator of Madison Guaranty. FHLBB has oversight of Federal Home Loan Bank of Dallas which has direct supervisory responsibility for Madison Guaranty.

17

LEGAL AND ACCOUNTING STANDARDS

15. This action arises from Frost & Company's breach of duty and agreement to provide professional services in that defendant Frost & Company violated Generally Accepted Auditing Standards ("GAAS") in connection with its audits of, and op:

1246

X001143

FAX TRANSMITTAL



Office of the General Counsel
DEPARTMENT OF THE TREASURY
1500 Pennsylvania Ave., N.W., Room 3000
Washington, DC 20220
Telephone: (202) 622-0287
FAX: (202) 622-2882

DATE: Feb. 3, 1994

TO: Mr. Bernie Nassbaum

PAGES TO FOLLOW: 2

FROM: Jean Hanson

SUBJECT: BTC

Addressee FAX No.: 456-6279 Confirmation No.: 456-2632

Notes and Special Instructions:

These last 2 pages are legal size.
call my office if they do not go through.

X001144

Docket No. 7401

present most of the commissions paid by Madison Financial to Madison Real Estate, which significantly derives all of its business from Madison Financial.

Many of the sales, which generated these commissions, were to McDougal-Monley Group members who are acting as straw buyers. Madison Guaranty essentially retained the risks of ownership on these transactions because it fully financed these sales including the cash sales commissions. Thus, Madison Guaranty's position deteriorated because it retained the same ownership risks as before, but paid cash fees to these individuals. In addition, fees paid through Madison Real Estate were used as down payments in some of the straw land purchases in an apparent attempt to disguise 100% funding of the purchase by Madison Guaranty and its subsidiaries.

Messrs. McDougal and Latham cited an April 24, 1985 letter from a Federal Home Loan Bank of Dallas Supervisory Agent as permission to pay real estate sales commissions to Madison Real Estate. However, this letter in part, asks that the Board of Directors review Insurance Regulation 571.7 which is cited above in this comment.

2. Madison Marketing

Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,537,000. Until February 1986, Susan McDougal owned Madison Marketing. During a portion of this time, it was a corporation which was incorporated by Lisa Aunsbaugh, reportedly a close friend of Susan McDougal.

Mr. Latham stated that after February 1986, Madison Marketing became an entity "d/b/a (doing business as)" for Madison Financial and ceased to be a corporation. However, it is not registered as a "d/b/a" in the County records. Also, its checking account has never been recorded on the books of Madison Financial.

Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work of advertising, such as the design and production of commercials and providing air time or newspaper space, appears to be performed by others. Madison Marketing apparently just pays the bills of other providers and adds a 15% fee of its own. Examiners estimated this fee to be approximately \$200,000 since 1983. It would appear that Madison Guaranty could have an employee perform similar work for much less money.

Mr. Latham stated that Madison Marketing made no payments to any stockholders. This statement is false. As a part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal which total \$30,000. This was a test, and there may be additional payments.

X001145
Page 2.1*clin?**was on file*

Designer's Construction performs construction work on some of the land development projects and on some of the property securing Madison Guaranty loans. In 1983 and to date in 1986, \$247,000 was paid for work performed for Madison Guaranty and its subsidiaries. The amount of loan proceeds paid to Designer's Construction on work for third party borrowers is unknown. Designer's Construction appears to be a

X001146

FEDERAL HOME LOAN BANK BOARD
OFFICE OF EXAMINATIONS AND SUPERVISION

Name and Address of Institution MADISON GUARANTY SAVINGS AND LOAN ASSOCIATION

1501 MAIN STREET, LITTLE ROCK, ARKANSAS 72203

District Number NINE Docket Number 7601

Examination as of (date) MARCH 4, 1986

Service Corporations and Other Affiliates Examined:

MADISON FINANCIAL CORPORATION

REPORT OF EXAMINATION

Prohibition of Disincentives --

X001147 Extended Page 3.1

This document is the property of the Federal Home Loan Bank Board and is furnished to the institution for its confidential use. Under no circumstances shall the institution, or any of its directors, officers, or employees, disclose or make this document or any portion of it public in any manner.

If a subpoena or other legal process is received calling for production of this document, the District Director - Examinations should be notified immediately. The attorney at whose instance the process was issued, and, if necessary, the court which issued the process, should be advised of the above prohibition, and referred to Part 505 of the General Regulations of the Federal Home Loan Bank Board.

Directors, in keeping with their responsibilities, should review this report thoroughly. This report should not be considered an audit report.

X001148

**RESOLUTION TRUST CORPORATION**Restoring The Crisis
Restoring The Confidence

March 3, 1994

The Honorable Donald W. Riegle, Jr.
United States Senate
105 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Riegle:

As you know, I testified before your Committee last week in connection with the semi-annual Oversight hearings on the RTC. I was asked about any contacts which I had with representatives of the White House on RTC matters and described a meeting which I had.

I would like to expand the record as follows. First, to the best of my recollection, no non-public information was provided on this case to representatives of the White House during that discussion. Second, it is my understanding that RTC staff had already had discussions with Senator D'Amato's staff on statute of limitations issues. Third, the Treasury General Counsel, who also attended the meeting, has advised me that before that meeting she sat down with this Department's designated Ethics Officer. She informed him of the purposes of the meeting and asked his view. He advised her that he saw no problem.

In short, there was no discussion whatsoever on the substance of this case. That's because I never have had, nor have, any knowledge of the substance. I have received no documents in that regard, nor otherwise received any information on the substance of this matter.

Sincerely,

Roger C. Altman

X001149



RESOLUTION TRUST CORPORATION
Resolving The Crisis
Restoring The Confidence

FXED
3 2 1 2

March 2, 1994

The Honorable Donald W. Riegle, Jr.
United States Senate
105 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Riegle:

I testified before your Committee last Thursday in connection with the semi-annual Oversight hearings on the RTC. There was a discussion, as you remember, of a meeting which I had with representatives of the White House. As I indicated, no non-public information was provided at that meeting on any aspect of the Madison Guaranty matter.

When Senator Bond asked me at that hearing whether any other communications had taken place between the RTC and the White House, my response was "not to my knowledge". I still have no knowledge that any such discussions occurred.

But, I have learned today of two conversations which did take place between Treasury staff and White House personnel on this matter. My information is that both related to the handling of press inquiries.

I would appreciate the opportunity to amend the record accordingly.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Altman", written over a horizontal line.

Roger C. Altman

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
ONE HUNDRED THIRD CONGRESS
2120 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6000

[illegible]

•• FACSIMILE ••

DATE: March 1, 1994
TO: Mr. Bernard Muschaw
FROM: Congressman James A. Leach

Number of Pages to Follow: 84

Enclosures and the original letter are being sent via mail.

JAMES A. BLACK, IOWA
 DR. MICHAEL H. BROWN
 MAJOR WILLIAM, NEW JERSEY
 PAUL BARNETT, MISSOURI
 THOMAS BONE, PENNSYLVANIA
 TONY GALT, MISSOURI
 ALBERT A. HANDELBERG, CALIFORNIA
 EDWARD C. HANNA, LOUISIANA
 BOB HUBBLE, IOWA
 CHRIS THOMAS, ILLINOIS
 SAM JOHNSON, TEXAS
 JAMES J. KATZ, IOWA
 JOHN LINDER, GEORGIA
 BOB CAMPBELL JR., IOWA
 RICK LARSEN, NEW YORK
 TONY GALT, NEW YORK
 DR. GARY B. KILPATRICK
 GARY KIMMELTOWN, CALIFORNIA
 DONALD KUTNER, CALIFORNIA
 DOTTIE TULL, NEW YORK
 EDWARD HANCOCK, VERMONT
 (508) 235-0347

On February 23 I received a lengthy response to my letter which ended with the following sentence: "I trust this letter fully addresses your concerns" [see attached letters]. Regrettably, the letter did not fully address the concerns expressed in my letter of February 3. Moreover, it would appear that the concerns raised in my letter were confirmed when Mr. Altman testified last week before the Senate Banking Committee that he had entered discussions with

X001152

Page 2
March 1, 1994

the White House on matters affecting the President's potential personal liabilities.

While it is dubiously credible to think Mr. Altman would have gone to the White House to discuss only the statute of limitations, in that a mere memo would have sufficed, it bears noting again the irony that it was Mr. Altman who on May 4, 1993, strongly recommended by letter to the Chairman of the House Banking Committee that the statute of limitations for civil lawsuits against S&L wrongdoers not be extended.

Mr. Altman's meeting with White House staff concerning the RTC's actions in the Madison case is an ethical umbrage. Even though Mr. Altman has now decided it proper to recuse himself from the Madison case, the issue at hand is whether his conduct violated federal ethics guidelines or strictures, as promulgated by the RTC. These guidelines are listed under 12 CFR § 1605.7 and include the following:

"No employee shall engage in any action, which might result in, or create the appearance of ...

- (b) giving preferential treatment to any person;...
- (d) losing complete independence or impartiality;
- (e) making an RTC decision outside official channels;
or,
- (f) adversely affecting the public's confidence in the integrity of the RTC."

Also, 12 CFR § 1605.10 states that an RTC "employee may not, directly, or indirectly, use or allow the use of information which is obtained as a result of his or her RTC employment but which is not available to the general public in order to engage in any financial transaction or to further a private interest."

In addition, another issue appears to be an abuse of the spirit of § U.S.C 3348. In a technical sense, this statute allows the President to name a temporary agency head to fill a vacancy until a nominee is confirmed by the Senate. In the event a nominee is rejected by the Senate or his/her name is withdrawn, § U.S.C. 3348 provides that the vacancy may be filled for not more than 120-days by an individual designated by the President.

In the case of Mr. Altman's appointment as interim CEO of the RTC, we have a situation where a political appointee of the Treasury Department has served as the head of an independent agency for approximately 13 months. To some, this circumstance leaves the

**DRAFT TRANSCRIPT OF THE PRESIDENT'S Q & A
FOLLOWING REGO EVENT**

Thursday, March 3, 1994

Thank you. (Applause.)

THE PRESIDENT: You all relax now, we've got to do a few questions. (Laughter.)

Q Mr. President, are you concerned about the appearance of impropriety of these meetings between Treasury officials and the White House?

THE PRESIDENT: Yes.

Q Have you been able to find out if there have been any other meetings other than the one that was reported? And what will be done about it?

THE PRESIDENT: Well, first of all, the answer is, yes, I'm concerned about that. Nearly as I can determine, no one has actually done anything wrong or attempted to improperly influence any government action. But I think it would be better if the meetings and conversations hadn't occurred.

I think now that there is an actual formal process underway, everyone will be much more sensitive. But I have directed Mack McLarty to prepare a memorandum about how we should handle and respond to any such contacts coming our way in this office so that we will bend over backwards to avoid not only the fact but any appearance of impropriety. It is very, very important to me.

I was a Governor for a long time, and there was never a hint of impropriety or scandal in my administration. And to the best of my knowledge the people who come here to work everyday in this administration, there has been no suggestion of abuse of power or anyone pursuing some personal advantage. And I want the American people to feel that. So I have told Mr. McLarty that we have to --we've already talked to people here in the office to make it clear that they understand that I -- first of all, I feel that this -- all these investigations, they should go forward, unimpeded and as quickly as possible. And I have every confidence in what the facts will reveal. So I think that it's very, very important that while all this is going on that the activity around it should be handled in such a way as to avoid even the appearance of a conflict.

-continued-

X001154

Later today, I think, we will have the memorandum for you, and we'll be glad to answer any questions surrounding that.

Q Well, shouldn't your lawyer be more sensitive to this -

THE PRESIDENT: I think there was a difference -- what we have to do -- let me say, we are also researching exactly what the actual rules are for what kinds of meetings can occur when. And I don't want to get into all the hypotheticals. But, for example, if the press asks questions to one place that are known and another place, the answers might be known in the White House; if someone's asking the agency, can they talk or not, I mean, that was one of the meetings that was discussed in the morning paper.

I want to make exactly -- I want to make it clear that we know what the rules are, but as I said -- and so I can't answer all those questions, in fact, right now. But in addition to what the rules are, what I want the people here to understand is, never mind what the rules are, bend over backwards to avoid the appearance of it. Let's let this thing go forward. There is an investigative process. The records are in hand, as far as I know, for the investigators to do their work. Let it go forward. We don't need to have any implication that we are in any way trying to manage or affect this process. We are not. We must not. And I don't want the American people to give it a second thought.

So the memorandum today should make that clear. And I don't think there will be further problems on this.

Q Mr. President, can you elaborate for us on your conversation with Prime Minister Hosokawa?

THE PRESIDENT: Well, I called him to discuss the -- the trade issue. And the Trade Ambassador will have an announcement on that later today, and then we'll be glad to answer questions about it. But I think I should let him announcement first.

Q -- was it a friendly conversation --

THE PRESIDENT: It was a friendly, a forthright conversation. It's consistent with the tone that we've established in our relationship. But it was one that I had to have today.

Q -- Super 301?

THE PRESIDENT: We'll have an announcement about that later today.

-continued-

X001155

Q Actually, could I just ask on this subject --

Q (Inaudible.) (Laughter.)

THE PRESIDENT: Yes -- (laughter) -- I was beginning to think that we were the only two policy wonks in the world that love -- (laughter). There they go again.

Q When this report was released six months ago, you were predicting, I think it was \$108 billion in savings --

THE VICE PRESIDENT: \$106 billion. (Laughter.) Be careful not to inflate that number. (Laughter.)

Q -- and over five years -- I mean, are you confident that the targets can be met?

THE VICE PRESIDENT: Absolutely. There was a fundamental misunderstanding about the difference between savings and CBO scoring. If you have savings and the caps are not adjusted, then the CBO says that's zero, but the savings are real. And that is the case for every single one of the savings in the report.

I'll give you quick example -- we recommended the closing of a uniformed military medical school. The savings involved each year in closing that are about, what, \$200, \$300 million per year. Under the arcane rules of scoring, that's called zero, because the caps aren't changed. But in the real world where the money is spent, that is a real savings.

And when this all plays out, you'll see that they're real. For example, in the '94 budget year, which was only -- we only caught part of that because we were well into it when the report was released -- but in that part of the '94 budget year and in the '95 budget year, we called in the report for the portion of the \$106 billion in savings reflected there for \$12.6 billion. Out of that amount, \$12.5 billion will be gained. And our -- those savings are in the budget, so -- give us time. We'll demonstrate how and where the savings occur, and they will be real.

THE PRESIDENT: Thank you.

THE VICE PRESIDENT: Thanks very much.

END 11:26 A.M. EST

1259

REDACTED

**THE WHITE HOUSE
WASHINGTON**

X001156

February 28, 1994

MEMORANDUM FOR FILE

**FROM: JOHN D. PODESTA
 ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY

 W. NEIL EGGLESTON
 ASSOCIATE COUNSEL TO THE PRESIDENT**

**RE: WHITEWATER--SENATE BANKING COMMITTEE HEARING AND
 OTHER RECENT ACTIVITY**

1260

REDACTED

X001157

REDACTED

X001158

4. Senator Gramm.

Senator Gramm was initially pretty mild, merely urging the President to make all information public so that the country could move on to other issues.

It was during Mr. Gramm's questioning that Mr. Altman testified about his meeting at the White House approximately three weeks before the hearing. Mr. Altman stated that the meeting was procedural only, relating to the statute of limitations issue. Mr. Altman stated that he had requested the meeting because he had been answering questions from members of Congress about the procedural issues, and thought it only appropriate to provide the same information to the White House.

1262

REDACTED

X001159

W.N.E.

1263

REDACTED

X001160

(Draft 2/18 (wne))

CHRONOLOGY

1264

REDACTED

(12 pages)

X001161

REDACTED

X001162

1993**7/22/93:**

Mr. Nussbaum reviews the contents of the files in Mr. Foster's office in the presence of law enforcement officials. Those files relating to the Clintons' personal legal matters were later transferred to the Clintons' private counsel, Williams & Connolly.

7/26/93:

Mr. Neuwirth finds the note in Mr. Foster's briefcase in Mr. Foster's office.

7/27/93:

The White House alerts the Department of Justice to the existence of the note.

12/23/93:

The President directs his private counsel to turn over all records potentially relating to the Madison Guaranty investigation to the Department of Justice.

1994

1266

X001163

REDACTED

1267

REDACTED

X001164

1268

REDACTED

X001165

2/5/94:

WT reports that the Park Police report states that a detective said that he had looked in the briefcase and was certain there was no note. The report also states that Nussbaum, Thomasson, and Williams stayed in the office the night of 7/20 from 10:00 p.m. until midnight. Nussbaum states that he was only in the office for 10 minutes. (WT 2/5/94).

REDACTED

X001166

REDACTED

X001167

1/5/94:

Mr. Lindsey issues a statement that documents relating to the Whitewater Development Corp. will begin to be delivered by Mr. Kendall to the Department of Justice. Included in that production will be the documents relating to Whitewater that were in Mr. Foster's office at the time of his death.

1/14/94:

All records responsive to the subpoena are turned over by Mr. Kendall to the Department of Justice.

1/16/94:

Sam Heuer states: "I was in the process of getting those papers from Vince Foster and I'm--I assume that's why he had the papers in his office." (NYT 1/17).

1271

REDACTED

X001168

X001175

THE WHITE HOUSE

WASHINGTON

Conversation of Taff/Chiff

- Sen. Schmidt / Washington Post

- asked for RTC investigation
telephone #

- RTC "Early end" - pursuing
Rose Ann Davis's alleged

undisclosed receipt of
interests - returned RTC

sources suggested - Sen.

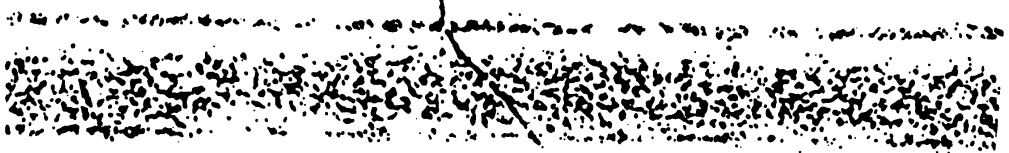
Rose Ann Davis's alleged

and documents to be collected

at 12

- RTC returned up 1-7

X001176



9 reports - alleged -
JGT - director of funds
Sweden Fundright - Research
McDonald - 1985

1985 Clinton Committee

1274

REDACTED

X001169

1275

X001170

REDACTED

1276

X001171

REDACTED

1277

REDACTED

X001172

1278

X001173

REDACTED

REDACTED**1993**

On July 20, Vince Foster commits suicide. On July 22, the office of Vince Foster is searched by Bernard Nussbaum, the Park Police, and the F.B.I. Materials are placed by Nussbaum into three piles, official White house files, personal Foster files, and Clinton personal files. The Clinton files are turned over to David Kendell, the Clinton's personal lawyer.

On December 24, 1993 a subpoena is issued pursuant to negotiations between David Kendell and the Justice department.

X001177

REDACTED

THE WHITE HOUSE

AP reporter named ~~Kyle~~
Chico de pointed in
Bank of Cherry Valley
Maurice Smith

US Att, → RL → other
cashier's check → Jim
McDermott / Susan McDermott
\$300,000

Current Governor - may
well be indicted.

X001178

→ RTC →

Gene Lums - { Chief Investigator -
RTC
Kansas City

1 - field office → U.S. Atty -
2 - normal procedure
3 - field office → RTC Washington
4 - last week → sent to
U.S. Atty

Sue
Schmidt

ADISON GUARANTY

1985 - Rose Row Firm

Jeff Gerth - Jeff Gernish -
called Jack yesterday - printer attorney

2 cashiers checks - \$12,000
2 payable to BC

2 payable to Clint -
Camp

- April 4/5, 1985 -

- Each check for \$3,000.00


repayment of campaign

debt - [who endorsed???

X001179

Personal and Confidential**MEMORANDUM**

To: File

From: Bruce R. Lindsey 

Date: October 20, 1993

Re: Whitewater Development Corporation

On Thursday, October 14, 1993, Bernie Nussbaum, Neil Eggleston, and Cliff Sloan of the White House Counsel's office, Mark Gearan and I met with Jack DeVore, Josh Steiner, and Jean Hanson of the Treasury Department. The purpose of the meeting was to discuss a telephone call that Jack had received the day before from Jeff Gerth of *The New York Times*.

Gerth informed DeVore that he is aware that a number of criminal referrals involving Jim McDougal and Madison Guaranty had been forwarded from RTC's Kansas City field office to its Washington office. (Apparently, the "normal" procedure is for a criminal referral to be sent from a field office directly to the appropriate U.S. Attorney's office. DeVore did not know why these referrals came to Washington instead.) Gerth stated that, to his knowledge, President Clinton was not a target of the referrals, although Governor Jim Guy Tucker might be.

One of the referrals, however, involved four cashiers checks -- each for \$3,000, two made payable to the Clinton for Governor Campaign and two made payable to Bill Clinton. The checks were dated April 4 or 5, 1985. All four checks were deposited in the Bank of Cherry Valley. Gerth wanted DeVore to find out who had endorsed the checks. (A check of our campaign records turned up three cashiers checks for \$3,000 each from J. W. Fulbright, Ken Peacock, and Dean Landrum, and a personal check for \$3,000 from Jim McDougal, signed by Susan McDougal.)

X001180

DeVore confirmed with the RTC that the referrals had been received in the Washington office, but had already been forwarded on to the Little Rock U.S. Attorney's office. DeVore wanted to make it clear to Gerth that the referrals had been sent to Little Rock before his call. DeVore's inclination was also to confirm to Gerth the fact of the referrals. He indicated that such confirmation was normal procedure. We suggested that instead of confirming the referrals, DeVore should indicate "off the record" that whatever had been received in Washington had been forwarded to the U.S. Attorney's office prior to Gerth's call.

The RTC believes that the funds for the cashiers checks came from a loan from Madison Guaranty to a Republican, but supposedly the Republican was unaware that some of the loan funds had been diverted.

cc: Maggie Williams
Bill Kennedy
Mark Gearan

X001181

CONFIDENTIAL

ABC News has asked Roger Altman the following questions?

- (1) Did Roger Altman put pressure on the RTC general counsel, urging her to brief the outside counsel (i.e., David Kendall), on the statute of limitations?
- (2) Did the White House ask him to do it?

Altman was at a meeting at the White House that had to do with the Whitewater topic, where he was asked by a White House staff person, "Can you ask the RTC general counsel to brief the outside counsels on the statute of limitations." Roger's response was, "I don't know. I'll check." The White House person said something like, "You'd better do it quickly."

Roger then, in a regular meeting with the general counsel of the RTC, asked this question, and the response was, "Roger, I don't think it should happen now. I don't think it's the appropriate time." The signal was very clear that it was not appropriate that they should be having that conversation.

Altman's office in response to ABC has answered question (1) with "Roger Altman has regular conversations with Ellen Kulka, general counsel. This matter was discussed." They did not answer (2) and are looking for guidance from us on how to answer it.

The reporter's name is Aram Rallston. Howard Schloss is the Altman person who called her.

Jenny Terzano x62580

No instruction
from anyone

- What happened?

① record - Jan H...
Harold
Maggie

Kendall
had practiced
before RTC

② process - to follow Rennis
between now and 2/28

③ Maggie - are you going to brief the
attys on what this process is?

④ We are, but not now -

1285

REDACTED

X001182

X001183

**MEMORANDUM**

Comptroller of the Currency
Administrator of National Banks

Washington, D.C. 20219

FACSIMILE TRANSMISSION REQUESTNO. OF PAGES: COVER + 3DATE 12-2-93**TO**NAME Bruce LindseyCOMPANY White House

DEPT/MAIL STOP _____

CITY _____

OFFICE PHONE 456-2668FAX PHONE 456-2883**FROM**NAME Eugene A. LudwigPHONE 874-4900OCC FAX: 202-874-4950Additional addresses or other information:CONTACT PERSON: Rita JohnsonPHONE NUMBER: 874-4900

SENDER, PLEASE CHOOSE ONE OF THE FOLLOWING:

- ☐ Return originals to contact person
☐ Will pick up originals
☐ Destroy originals

REV.11:88

X001184



Washington Bureau
1027 K Street NW
Suite 1102
Washington, DC 20005-1702
(202) 462-0250

November 30, 1993

Hoyle Robinson, Executive Secretary
Federal Deposit Insurance Corp.
550 17th St. NW 20429

Dear Mr. Robinson,

Pursuant to the federal Freedom of Information Act, I request access to and copies of ~~all~~ documents related to the now-defunct Madison Guaranty Savings and Loan of Arkansas including, ~~but not limited to:~~

- the government's examinations of Madison between 1981 and 1986 and its reports;
- correspondence between regulators and lawyers at the Rose Law Firm of Little Rock, Ark., concerning Madison, and any memoranda to, from or about the Rose Law Firm and/or its partners;
- the FDIC's 1989 lawsuit against, and subsequent settlement with, Madison's accountants.

I agree to pay reasonable duplication fees for the processing of this request. However, please notify me prior to your incurring any expenses in excess of \$500.

Through this request, I am gathering information on Madison that is of current interest to the public because of current investigations into its dealings and its officers. This information is being sought on behalf of The Baltimore Sun.

As I am making this request as a journalist and this information is of timely value, I would appreciate your communicating with me by phone, rather than by mail, if you have questions regarding this request. I can be reached at (202) 416-0250, and look forward to your reply within 10 business days, as the statute requires. Thank you for your assistance.

Sincerely,

Susan Baer

Susan Baer
Washington Correspondent

11/30 EC W/R
request is limited
to the cat. jorge c
dec's list. I
advise her the
reports are exempt.

the following

ATimes Mil
Newspaper

The Washington Post

1100 15TH STREET, N.W.
WASHINGTON, D. C. 20071
(202) 334-6000

X001185

WASH. DIRECT TELEPHONE NUMBER

334-6157

Jack Smitz
Deputy General Counsel
FDIC

Dear Mr. Smitz

Pursuant to the Freedom of Information Act (5 U.S.C. 552 as amended), I hereby request disclosure of the following records for inspection and possible copying:

Any and all memos or other documents concerning the retention of the Rose law firm in the FDIC's case against the accounting firm of Frost & Co., including a memo from Ken Schrock to John O'Donnell dated August 1989.

If you regard any of these records as exempt from required disclosure under the Act, I hereby request that you exercise your discretion to disclose them nevertheless.

I further request that you disclose the listed documents as they become available to you, without waiting until all the documents have been assembled.

I am making this request on behalf of The Washington Post, a newspaper of general circulation in the Washington, D.C. metropolitan area and throughout the United States. The records disclosed pursuant to this request will be used in the preparation of news articles for dissemination to the public. Accordingly, I request that, pursuant to 5 U.S.C. 552 (a)(4)(A), you waive all fees in the public interest because the furnishing of the information sought by this request will primarily benefit the

.../2

X001186 Page 2

public. If, however, you decline to waive all fees, I AM prepared to pay your normal search fees (and copying fees if I decide to copy any records), but I request that you notify me if you expect the search fees to exceed \$100.

I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Aaron P. Schmidt".

X001187



Washington Bureau
 1101 K Street NW
 Suite 1702
 Washington, DC 20005-1702
 (202) 462-0200

November 30, 1993

Boyle Robinson, Executive Secretary
 Federal Deposit Insurance Corp.
 500 17th St. NW 20429

Dear Mr. Robinson,

Pursuant to the federal Freedom of Information Act, I request access to and copies of ~~the~~ documents related to the now-defunct Madison Guaranty Savings and Loan of Arkansas including, but not limited to:

- the government's examinations of Madison between 1981 and 1986 and its reports;
- correspondence between regulators and lawyers at the Rose Law Firm of Little Rock, Ark., concerning Madison, and any memoranda to, from or about the Rose Law Firm and/or its partners;
- the FDIC's 1989 lawsuit against, and subsequent settlement with, Madison's accountants.

I agree to pay reasonable duplication fees for the processing of this request. However, please notify me prior to your incurring any expenses in excess of \$300.

Through this request, I am gathering information on Madison that is of current interest to the public because of current investigations into its dealings and its officers. This information is being sought on behalf of The Baltimore Sun.

As I am making this request as a journalist and this information is of timely value, I would appreciate your communicating with me by phone, rather than by mail, if you have questions regarding this request. I can be reached at (303) 416-0250, and look forward to your reply within 10 business days, as the statute requires. Thank you for your assistance.

Sincerely,

Susan Baer
 Susan Baer
 Washington Correspondent

11/30 EC W/R
 request is limited
 to the categories of
 doc's listed. Baer
 advised her the same
 reports are exempt.

the following

ATimes Mirror
 Newspaper

The Washington Post

1133 15TH STREET, N.W.
WASHINGTON, D. C. 20001
(202) 334-4000

X001188

WASH. POST TELEPHONE NUMBER
334-6157

Jack Smitz
Deputy General Counsel
FDIC

Dear Mr. Smitz

Pursuant to the Freedom of Information Act (5 U.S.C. 552 as amended), I hereby request disclosure of the following records for inspection and possible copying:

Any and all memos or other documents concerning the retention of the Rose law firm in the FDIC, case against the accounting firm of Frost & Co., including a memo from Ken Schrock to John O'Donnell dated August 1979.

If you regard any of these records as exempt from required disclosure under the Act, I hereby request that you exercise your discretion to disclose them nevertheless.

I further request that you disclose the latest documents as they become available to you without waiting until all the documents have been assembled.

I am making this request on behalf of The Washington Post, a newspaper of general circulation in the Washington, D.C. metropolitan area and throughout the United States. The records disclosed pursuant to this request will be used in the preparation of news articles for dissemination to the public. Accordingly, I request that, pursuant to 5 U.S.C. 552 (a) (4) (A), you waive all fees in the public interest because the furnishing of the information sought by this request will primarily benefit the

.../2

X007789

public. If, however, you decline to waive all fees, I am prepared to pay your normal search fees (and copying fees if I decide to copy any records), but I request that you notify me if you expect the search fees to exceed \$100.

I look forward to hearing from you.

Sincerely,

Samuel Polonsky

1293

X001190

THE DEPARTMENT OF THE TREASURY
OFFICE OF THE CHIEF OF STAFF

FAX COVER SHEET

Date: December 2, 1993
To: Bruce Lindsey
Fax #: 456-6703
Number of pages to follow: 3

From: Joshua L. Steiner
Phone: 622-0016
Fax: 622-0073

Message:

FYI.

Josh

1294

X001191

RTC
- Clinton personal

X001192

①

2/2/79

To: [illegible]

P. [illegible]

S. [illegible] of [illegible] [illegible]

N. [illegible]

PTE - S/L closed to [illegible]

S/L entered into [illegible]
to [illegible] date - 14 Nov 89

Date [illegible] [illegible] [illegible]

5 [illegible] from [illegible] date
4 [illegible] [illegible] -

1 Nov 89

1 Nov 92

TSF - last date for RTC to [illegible] [illegible]

a) any claim for [illegible] [illegible] -
in [illegible] re any of the parties

or b) [illegible] [illegible] to [illegible] [illegible] claim

or c) [illegible] [illegible]

On [illegible] E [illegible] [illegible] RTC - [illegible] [illegible] [illegible]

Total [illegible] - OTS (Office of [illegible] [illegible])

On [illegible] DOT

X001198

THE WHITE HOUSE
WASHINGTON

March 3, 1994

MEMORANDUM FOR THE WHITE HOUSE STAFF

FROM: Mack McLarty
Chief of Staff



SUBJECT: Contacts regarding Madison Guaranty, Whitewater and related matters

This memorandum reiterates White House policy on contacts with agencies, previously set forth by the Counsel's Office, and outlines specific guidance for issues related to Madison Guaranty, Whitewater Development Corporation and related matters.

Any contact from an Executive Branch or independent agency regarding Madison Guaranty, Whitewater or related matters should be directed promptly to the Deputy Counsel, who is charged with reviewing such contacts and determining whether they should be directed to the President's or First Lady's personal attorney or addressed by the White House. In addition, no contact by the White House with Executive Branch or independent agencies regarding these matters should be made without prior authorization from the Deputy Counsel.

X001199

THE WHITE HOUSE
WASHINGTON

March 3, 1994

MEMORANDUM FOR ASSISTANTS TO THE PRESIDENT
DEPUTY ASSISTANTS TO THE PRESIDENT

FROM: MACK MCLARTY
CHIEF OF STAFF

SUBJECT: Contacts Regarding Madison Guaranty, Whitewater and
Related Matters

This memorandum reiterates White House policy on contacts with agencies, previously set forth in memoranda from the Counsel's Office, and outlines specific guidance for issues related to Madison Guaranty and Whitewater Development Corporation.

Any contact from an Executive Branch or independent agency regarding Madison Guaranty, Whitewater, and related matters should be directed promptly to the Counsel's Office. The Counsel's Office is charged with reviewing such communications and determining whether they should be directed to the President's personal attorney or addressed by the White House. In addition, no contact with Executive Branch or independent agencies regarding these matters should be made without authorization from the Counsel's Office.

As an additional procedure, whenever the Counsel's Office authorizes initiating, or responding to, contacts regarding these matters, the Counsel will inform the Chief of Staff or either of the Deputy Chiefs of Staff prior to acting.

If you need another copy of the general memoranda regarding agency contacts, please contact the Counsel's Office.

X001202

M E M O R A N D U M

TO: The First Lady C O N F I D E N T I A L
FROM: Harold Ickes
DATE: 1 March 1994
RE: Resolution Trust Corporation

It is my understanding that shortly after Roger Altman met with Bernie Nussbaum, me and others concerning the RTC statute of limitations, he received an opinion from an ethics officer of the Treasury Department that he, as the acting head of RTC, did not have to recuse himself from matters involving Rose/Madison Guaranty. I will confirm this situation.

REDACTED
(25 pages)

X001203

1307

X001204

THE WHITE HOUSE
WASHINGTON

March 1, 1994

MEMORANDUM FOR FILE

FROM: JOHN D. PODESTA
ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY

W. NEIL EGGLESTON
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: WHITEWATER--TRANSCRIPT OF SENATE BANKING COMMITTEE
HEARING

Attached please find the transcript of the testimony portion of the hearing before the Senate Banking Committee last Thursday, February 24, 1994.

The opening statements will not be available until the Committee releases the transcript.

W.N.E.

X001205

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Federal News Service

FEBRUARY 24, 1994, THURSDAY

SECTION: IN THE NEWS

LENGTH: 26366 words

HEADLINE: HEARING OF THE SENATE BANKING COMMITTEE

SUBJECT:

RTC THRIFT DEPOSITOR PROTECTION OVERSIGHT BOARD SEMIANNUAL
REPORT CHAIRED BY: SENATOR DONALD RIEGLE (D-MI)

WITNESSES:

LLOYD BENTSEN, SECRETARY OF THE TREASURY

ROGER ALTMAN, INTERIM CEO, RESOLUTION TRUST CORPORATION

ACCOMPANIED BY:

ALAN GREENSPAN, CHAIRMAN, FEDERAL RESERVE BOARD

ANDREW HOVE, ACTING CHAIRMAN, FEDERAL INSURANCE DEPOSIT

CORPORATION JONATHAN FIECHTER, ACTING DIRECTOR, OFFICE OF THRIFT

SUPERVISION DIETRA FORD, EXECUTIVE DIRECTOR, THRIFT DEPOSITOR

PROTECTION BOARD 538 DIRKSEN SENATE OFFICE BUILDING

WASHINGTON, DC

BODY:

SEC. BENTSEN: Mr. Chairman, members of the committee, I have the Oversight Board members with me here -- Mr. Alan Greenspan, chairman of board of the Federal Reserve; Roger Altman, who's the interim CEO of the RTC. I've got Jonathan Fiechter, who's the acting director of the Office of Thrift Supervision; Andrew Hove, who's the acting chairman of the Federal Deposit Insurance Corporation. Also accompanying us is Dietra Ford, who's the executive director of the Oversight Board.

And I have a longer version for the record, but I'd like to summarize it, particularly with the lateness of the hour, if I might.

SEN. RIEGLE: We'll make your full report a part of the record, and we'd like your summary.

SEN. BENTSEN: Before I begin, and listening to the partisan exchange, let me thank the members of this committee for their bipartisan support last year, in the last session, to obtain the funding to finish the RTC job. I'm quite appreciative of that.

Let me tell you something you don't hear very often. We're not here to ask for more money. The funding -- (applause, laughter) -- the funding provided through the RTC Completion Act ought to be sufficient. In fact, they tell me this is the first time that the Oversight Board has been before you that it wasn't asking for additional money and funding. And I'm just very pleased to be able to inherit that honor.

X001206

I'm also happy to report that few S&Ls are failing, and 99 percent of private-sector thrifts are well or adequately capitalized. OVERSIGHT Let me review some of the numbers for you. Since the RTC was created in 1989, it's taken over 743 failed institutions and it's closed or sold 680 of them. In the process it protected nearly 23 million deposit accounts with an average balance of \$9,000. RTC made good on the government's guarantee of deposit insurance to millions of Americans nationwide. And, I might add, it did it with a minimum of disruption. A lot of the customers didn't even know that the RTC had taken over their S&L. The RTC also undertook the greatest liquidation in history, so far disposing of \$393 billion in assets for about 90 percent of their book value. Frankly, I couldn't believe that one. I made them go back and check it again for me. The RTC sold since its inception nearly 80,000 units as affordable housing. So at least tens of thousands of lower-income families have benefitted as this problem is being solved.

Now, crime is at the top of our agenda these days. We talk about violent crimes. Well, this scandal had criminals -- had white collar criminals. More than 1,500 persons were charged with major crimes involving S&Ls. Nearly 1,250 were convicted. And of those sentenced, more than 75 percent went to prison. And RTC has pursued several recoveries from wrong-doers with all involved agencies collecting nearly \$2 billion.

Mr. Chairman, when this administration took office the total cost of resolving the S&L problem was estimated at between \$100 and \$150 billion. When I testified just last March, we thought as much as 45 billion in additional funding would be needed. That was on top of the nearly 87 billion already appropriated.

A lot of people agreed with us. The Congressional Budget Office estimated 50 billion. The General Accounting Office had us around that level. And so did the House and the Senate budget committees. As RTC funding legislation moved through the Congress last year, constantly improving economic conditions resulted in record earnings for the S&L and the banking industries. By mid-November after lengthy deliberations in both houses, the funding bill provided \$18.3 billion, and that brought the total amount that's provided by Congress for the clean-up to \$105 billion, a figure on the low end of the estimate when this administration took office.

And I know the results could have been different -- easily. Depositors could have lost all their savings. Loss to the government could have been far greater, resolution of the problem could have taken much longer. But to the credit of a great many people, and they're seated in this committee, in addition, the problem is near resolution.

I'd like to give you some -- and I'd like to give some credit to the management of the RTC. And I think we'd sure better credit the economy. Deficit reduction has helped interest rates to fall. We've taken steps to increase the availability of credit, tackling unnecessary regulations and report requirements that discourage lenders from making loans to small business. And we'll continue to propose changes that will result in greater credit availability and efficiencies in the banking industry. This is why we want to sell a number of issues, including passage of the community development financial institutions legislation, which includes a balanced reduction and regulatory reform. I'll be before this committee next week with specifics on the

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administration's proposal to reform and simplify the regulatory structure for depository institutions. Our proposal not only will eliminate unnecessary regulatory expenses which could result in the availability of greater credit, but as importantly, it can help avoid new crisis by putting a stop to inconsistent and confused regulation. But we'll talk more about that next week. But the point I want to make on deficit reduction is that the market responded, the economy responded. Housing starts and home sales are up, and that's sure good news when you're the RTC and you're trying to dispose of property. I can't help think back what a dramatic difference interest rates make. I used to chair a savings and loan. Sure glad I sold it when I came to the Senate. (Laughing.) But I'll tell you, not smart, just lucky! But I'll tell you -- (laughter). But I'll tell you, when you've got your mortgages at one rate and all the sudden long-term interest rates go substantially above that, you've got yourself a real problem in an S&L. And when you've got the government saying we'll guarantee the first 100,000, and you've got a small, new S&L, and then they have Wall Street bundle up hundreds of billions and send it to a little S&L. We saw that thing happen in Vernon, Texas. A good example of that. And then you see the others who are honestly trying to compete and what a hold it puts on them. Fortunately, we're seeing things go the other way with this substantial reduction in interest rates.

And I want to say to you, Senator Bennett, I've seen some of what you're talking about, too, where sometimes they were overzealous. And that balance is in part the concerns of what Senator Boxer has for those that have been ill-used and guilty of malfeasance. But lower interest rates and increased credit activity have brought about increased earnings for all types of financial institutions. Many S&Ls that may have been at risk are now making profits. But you and I know we can't predict what's going to happen between now and '95 when the RTC goes out of business. Nobody foresaw the floods and the earthquakes, and they had their economic consequences. We're not done yet.

Through '95, RTC must continue to protect depositors. They must dispose of some very hard-to-sell assets. And it must ensure its operations run effectively. It must work toward an orderly transition of its responsibilities to the FDIC. And it must never lose sight of its mandates to provide affordable housing and maximum minority participation, including implementation of provisions of the RTC Completion Act.

I've urged the RTC to work aggressively on the issue of minority participation. It's imperative that minority- and women-owned businesses have an ample opportunity to win contracts, to purchase assets and to acquire failed thrifts. In fact, the RTC is taking special care to meet the requirements of the completion act to provide preferences to minority institutions while applying the least-cost test.

Let me be more specific on some of those things I mentioned. The RTC has begun resolve 63 insolvent institutions now operating in conservatorship, which about 2.3 million deposit accounts. Some additional institutions may be transferred this year. If so, the RTC will make good on the government's guarantee to those insured depositors and any others who might yet fall under its jurisdiction.

Insofar as the remaining inventory of nearly 64 billion assets -- \$64 billion in assets, these, as

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you said earlier, Mr. Chairman, are the most hard-to-sell properties that are left: real property and non-performing mortgages. While the improved economy helps sales, the potential loss to the taxpayers could be reduced if these assets are managed and sold efficiently. The RTC is working on improving its marketing and sales strategies and is seeking creative, yet sound techniques to maximize returns.

To fulfill its remaining mission, the RTC will benefit from good managers. Jack Ryan of OTS was appointed deputy CEO. Ellen Kukla (sp) of the OTS has been appointed general counsel. And Tom Horton has been promoted to acting senior vice president for asset management and sales. And I can tell you today that the administration expects to submit its nomination for a permanent chief executive shortly.

I thank Roger Altman for the service that he has done as the interim CEO. His term expires the end of March, and we hope by then to have a candidate. In line with the RTC Completion Act, Jack Ryan will serve as the interim CEO between the time Mr. Altman's term expires and the permanent CEO is confirmed. The Oversight Board will also make some appointments to the audit committee, which will be in operation soon.

I've asked Frank Raines (sp), vice chairman of Fannie Mae, to chair that one, and to serve as members we asked Jonathan Fiktar (sp) of OTS, Robert Larsen (sp), vice chairman of the Taubman (ph) Company and a former member of the Oversight Board. Mr. Larsen (sp) has also been renominated to serve on the Oversight Board, and I hope you'll be able to approve his nomination soon. The RTC will close down on December 31, 1995, one year earlier than originally thought, and planning for that is well underway. I expect the new management to work with the people at the FDIC in a cooperative way to carry out the transition of the RTC to the FDIC.

This past year the Oversight Board has also strengthened our staff reviews. I was being reminded of my testimony of last year and the recommendations and the improvements that we sought to bring about. We have done a number of them. We haven't completed them all. We're obviously still working at it, and we're scrutinizing some.

For instance, our staff has been monitoring the RTC's efforts to improve its contracting systems and its oversight. A review is being conducted to make sure policies are applied uniformly to all contractors and that contract oversight procedures provide effective review of performance. Another example: The staff has focused on the RTC's financial operating plan, its operating budget and all its borrowing activity, and our advisory boards are taking hard looks at the policies governing asset sales. Late last year, Ira Hall of IBM USA was named chairperson of the National Advisory Board, bringing considerable financial expertise and private sector expertise to that process.

These boards meet regularly at sites nationwide to discuss progress and to hear testimony from witnesses on how these regulations and procedures affect different parts of the country. The RTC listens to their advice, and they have been instrumental in advancing affordable housing opportunities. Our advisory board structure will change this year.

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The Completion Act created a new affordable housing authority board to replace the National Housing Advisory Board. That new board will be made up of nine members, including the secretary of HUD. They will be providing advice on affordable housing programs, and how to merge RTC programs with the FDIC programs after the shutdown, and we're looking forward to working with them. Now, last year at this hearing, as I said, I announced those ten goals insofar as improving or reforming RTC management -- things like putting in place a system to ensure prompt follow-up on findings of the inspector general and the General Accounting Office, strengthening the contracting system and oversight of its private sector contractors, appointing a chief financial officer. The RTC Completion Act mandated and expanded on those reform, and RTC is moving to meet the standards that Congress determined and set.

I'm pleased with the results, and in a minute, I'd like Roger Altman to discuss them with you one by one. I hope you especially note what we've done on opportunities for minority- and women-owned businesses and in strengthening our internal accounting and administrative control systems. I personally believe that these programs are an important part of RTC duties and that this is an area it must continue to focus on to ensure legislative mandates are carried out. And Mr. Chairman, let me end on this. I believe that the RTC has made significant progress in the past year in achieving its mandates and in addressing the concerns that you folks in the Congress raised, concerns by the GAO and by the oversight board. You bet there've been a lot of problems, but the organization has been relatively free from partisan conflict. Republicans and Democrats alike have been committed to fulfilling the government's obligations to protect depositors at the least cost to the taxpayers. In '94 we'll keep working at that one, and looking to '95, well, I believe the RTC will be more than happy to be out of business. I sure will be happy. Thank you. Now let me turn it over to Mr. Altman.

SEN. RIEGLE: Mr. Altman, we'd like to hear from you now.

MR. ALTMAN: Thank you, Mr. Chairman. I, too, have a longer statement which, with your permission --

SEN. RIEGLE: Without objection.

MR. ALTMAN: -- that I hope would be entered into the Record, and I'll summarize it here. This is probably the final time I will appear before the Congress in any RTC capacity. Under the terms of the Vacancy Act, my appointment would expire on March 30. There are limited circumstances under which that could be extended, but I don't believe they will apply. As Secretary Bentsen said, it's our intention to nominate a permanent chief executive as soon as possible.

Last year we chose I think a fine candidate, Stanley Tate (sp). He withdrew, which was not at our urging, and I believe he would have done a good job. I also want to join with Secretary Bentsen in thanking the entire committee for its bipartisan efforts to secure funding through the completion act passed late last year.

I'd also like to note that the RTC has taken special efforts to be responsive relative to the

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California earthquake. Foreclosures in those effective areas have been delayed, home owners are being helped to avoid delinquencies on mortgages held by the RTC, and we notified FEMA of 34 multifamily units and 47 single family residences that can be made available for temporary housing. Now, on to the status report.

Mr. Chairman, the S&L collapse required the biggest financial rescue probably in world history. Including money spent by the FSLIC beginning in 1988 it's expected to cost the American taxpayers the staggering sum of about \$150 billion. To put that into perspective, at today's budget levels that's equivalent to about 45 years of Head Start, about nine years of Aid to Families with Dependent Children. And at a time when we all struggle to finance federal support of vital activities from national security to education, these are sobering comparisons. I'm sure all of use would agree on a bipartisan basis to make every effort to ensure that such a fiasco is never repeated. When we inherited responsibility for this agency, it was not in sound condition. It was one of the largest contracting organizations of all time. But it had poor contracting procedures. It was selling assets in massive blocs, denying local investors a shot at local properties which they knew best. And despite being larger than almost any American financial institution in the private sector, any bank or any securities firm, it had no full-time chief financial officer, no permanent general counsel, and it had no business plan. So we determined to concentrate on repairing the organization and when Secretary Bentsen first testified before this committee, almost exactly a year ago, he outlined a series of management reforms to which we committed ourselves, and I'd like to very quickly just review some of those. A full-fledged review of all 21 of them is appended to my statement.

Contracting. We found that the agency's contract award procedures had often been violated in the past, and our first action there was to mandate compliance. Some of the compliance problems reflected weak organizing principles. Contracts were often let by the same employees responsible for overseeing them. Obviously, in the event of a compliance problem, the employee then had little incentive to draw attention to it. So the Office of Contracts has been reorganized into two separate units; one for contract solicitation and award, and another for contract administration, to avoid conflict, and the scope of contracting oversight has been substantially expanded. Among other things, the staff there has been more than doubled, and reviews of nearly 500 outstanding contracts were undertaken last year.

Next, audits. A new reporting system has been implemented to ensure that management responds to the concerns raised by auditors. And that system now tracks and updates the status of all inspector general, GAO and internal RTC findings and recommendations. And I'm pleased to say that the RTC today is current in following up on almost all GAO and OIG findings. Business plan. We completed a comprehensive business plan. We provided copies of that to this committee. It is a highly detailed and, I think, objectively speaking, good piece of work. It's intended to be a living document and we're going to update it regularly as conditions warrant.

Chief financial officer. Donna Cunningham, our chief financial officer, has been on board for about eight months. She's taken that helm very ably, as reflected in a series of improvements in the internal controls in the organization.

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The professional liability section. This has been a particularly troubled area of RTC operations. There have been complaints from both sides of the spectrum, as the comments already here today illustrate; complaints that the RTC was unfairly pursuing former S&L directors who had no real roles in those organizations and, on the other side, complaints that the RTC was not sufficiently zealous in pursuing the real crooks.

As GAO recognized in its mid-'93 report, the primary problems have involved inadequate staffing and an overall lack of experienced attorneys and the temporary nature of the RTC has made it particularly difficult from a recruiting point of view. But we have worked hard to increase the size and the training of the staff in this area. We currently have the highest total of attorneys on board in the agency's history. Moreover, senior RTC and FDIC officials are planning to merge the RTC unit here, the PLS unit, with its counterpart in the FDIC, recognizing that the FDIC is a source of experienced attorneys in this area.

I also want to say that effective prosecution of PLS claims continues to be one of the RTC's highest priorities.

Secretary Bentsen referred to our having formed an audit committee and appointed its members. We have also established a joint coordinating committee with the FDIC for purposes of planning the transition or portions of the RTC back into the FDIC by the end of '95.

I'd like to make a special set of comments about expanded opportunities for minorities and women. That's been one of our highest priorities, as Secretary Bentsen said. First of all, we elevated the minority and women's program to the divisional level, put the head of it on the executive committee reporting directly to the CEO. We took action to expand the number of minority- and women-owned businesses receiving RTC contract solicitations. And there are now more than 1,100 of them in our database.

Let me say a couple of words about the record. On a cumulative basis since inception of the \$3.7 billion awarded in nonlegal fees, \$800 million have been awarded to minority- and women-owned businesses, 21 percent. Take a look at last year. We paid nonlegal fees of \$500 million. Minority- and women-owned businesses received 31 percent of those. We also encouraged efforts to encourage the use of minority- and women-owned law firms on the legal side, as far as legal fees are concerned. Last year, such firms received \$54 million, or 13 percent, of all legal fees from us, a big increase over the '92 level. And within the category of minority- and women-owned law firms, minority-owned law firms received \$36 million, far above the \$23 million of a year before. I think the entire RTC is quite proud at the sharply increased levels of minority and women's participation in all of the fee-generating activities of the agency, and details on that are also appended to my statement. Turning briefly to operations and financial issues, Secretary Bentsen cited a series of statistics relative to the amounts of institutions which have been resolved since inception. To me the most important statistic is \$9,000. That's the average balance in institutions which have been resolved. And for those who think this has been a bailout of the rich and famous, I think that's a pretty telling number.

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We have 63 institutions under conservatorship today, \$18 billion of deposits. Now that the Completion Act is law, we're in the process of marketing these remaining conservatorships. We think these 63 will be resolved, Mr. Chairman, by the summer of this year, and it should cost \$9 billion to \$11 billion to do that.

On the asset sale side, we exceeded the targets we initially set last year. Book value reductions, \$63 billion; cash proceeds, 76 percent of that. That's a recovery rate below previous years because now we're down to poorer-quality assets, hard-to-sell assets. For this year, '94, we expected to reduce the book value of our inventory by \$43 billion, cash proceeds \$29 billion, projected recovery rate, 66 percent.

Now, on this asset sales side, one of things we did was to put in place a small investor program because, if I've heard anything in this past year in this capacity, it was that local investors were not -- did not have a shot at local properties which they knew best. So we took steps to ensure that assets would be available for sale individually to small investors with moderate levels of capital. Under this program, individual offerings of real estate properties have been emphasized. Underscore "individual." Auctions and sealed-bid sales have become more frequent and geographically focused. Smaller loan pools are being offered to allow buyers to purchase smaller, more geographically segmented groups of loans. And I'm pleased to say that at the most recent non-performing loan auction, in August last year, a third of the winners were new buyers who had not participated before, and the new bidders, overall bidders were for the most part smaller companies with a much higher preference for small loan pools and were most interested in buying geographically-focused loan packages located in their own areas.

Affordable housing -- Secretary Bentsen noted this -- since inception we've sold over 77,000 units, for a total of \$1.2 billion. The average annual income of households purchasing in that program has been about \$24,000, which, by the way, is 61 percent of the national median family income. Finally, Mr. Chairman, the issue of whistle-blowing.

As was noted earlier, last September this committee held oversight hearings where a variety of allegations were made, including retaliation against whistle-blowers.

Now, let me emphasize in the strongest terms, we support protections for whistle-blowers and have taken several actions to address those allegations. I issued a memorandum on October 4th to all RTC employees strongly reiterating our policy of prohibiting retaliation against whistle-blowers. We established an employee ombudsman program to augment the efforts of the inspector general in gathering all types of employee allegations. That ombudsman reports directly to the CEO on a weekly basis, and I think that program is working pretty well, because as of February 15th we'd received 116 inquiries, 96 of which had been closed and 20 of which were still pending.

We also had conversations in person and by telephone with six of the individuals who testified here before this committee. And during these interviews we solicited comments, feedback, and suggestions from them on how best to remedy the problems which they raised. And a number of those interviews were insightful and have been taken into account in our

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efforts to remedy some of the management problems at the RTC. And I just want to underscore how seriously we have taken these allegations and that hundreds of hours have been spent working to understand and resolve them.

In closing, the Completion Act requires the RTC to terminate on December 31st, 1995. We will make that, there is no question that we will make that, and I think it will be a happy day for all concerned, especially the American taxpayer. Thank you.

SEN. RIEGLE: Thank you very much. We're going to now proceed with the questions, and we'll go with the normal five-minute time periods.

Chairman Greenspan, let me start with you. The Federal Reserve, of course, has raised interest rates earlier this month, and you just indicated publicly again that further increases are likely. And we know in the past that rising interest rates have had the effect of causing significant problems for thrifts. Now, obviously, the amount is highly relevant. But my question to you would be what effect are these higher interest rates likely to have on the RTC and, for that matter, on the future health of the thrift industry, which is still trying to work its way back?

MR. GREENSPAN: Mr. Chairman, I think you raise a very important question, because one of the lessons of this whole experience has been that we have -- we've put into place in the early post-war years an institution which was a specialized institution, one which could not function in a period of significant inflationary imbalances, an institution which had long-term assets and short-term liabilities. And, as the secretary indicated, when interest rates generally go up that institution is pressed as, indeed, we saw in an extraordinary sense in the period 1979-1980.

One of the things that is very important that we not allow to happen again is that extraordinary type of inflationary imbalance which was so destructive to those types of institutions. To be sure, savings and loans as a consequence of that have restructured their balance to a significant extent and the maturity mismatch is not of the size that it was previously.

Nonetheless, should interest rates rise significantly, then I think it does put those institutions in a very difficult position. It's been the concern of the Federal Reserve that we endeavor to fend off any such types of inflationary instabilities, and the actions that we took -- we took on February 4th, and the general discussion which I outlined to the House Banking Committee's subcommittee in trying to comprehend the type of problems that may be out there, were put forward precisely to prevent the types of difficulties which so debilitated the savings and loans.

To date, the effects on these institutions, of course, have been minimal, and we don't expect to see any particular problems emerge on that, but I would like to call -- ask my colleague, Jon Fiechter, what he sees, he's looking at these institutions in a much more detailed way than I

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MR. FIECHTER: I would echo what Chairman Greenspan said. One -- well, first, clearly a major risk in the thrift industry, given the nature of the business, is interest rates, but a real difference between the thrift today versus the thrift of the late '70s that ran into so much difficulty when the -- there was the rate (spike ?) in the early '80s, is that restructuring both of assets and liabilities, there are a lot of thrifts now that won't hold fixed rate mortgages any longer because they went through the early '80s. Also, as a consequence of (rate Q ?), institutions are able to much better manage their liabilities. As you know, Mr. Chairman, as a consequence of FDICIA, OTS has spent a lot of time on interest rate risk. We have a fairly extensive model, and in anticipation of a question such as this, I asked the staff based on the information the thrifts now provide what would be the effect of a 200-basis-point increase in interest rates if it were to happen as a shock -- sort of an across-the-board increase, but I don't think we're talking about that type of change. Only ten institutions would fail their current capital requirements.

None of them would go below 2 percent capital, however. And while it's a very uncertain world we live in, the analysis that we've done has suggested that at least in the numbers that we're talking about today, the thrift industry is in a much better position to handle rate increases going forward.

SEN. RIEGLE: I think that's an important response because I think it shows as well that in re-engineering, through FIRREA and then FDICIA, the arrangements that the general strategy is working. Now, if we get overtaken by, you know, events that were to drive interest rates above 200 basis points then we're into a different zone. But let's hope we're not going to deal with that. Chairman Greenspan, let me ask you one other question. This issue has obviously gotten a lot of attention here this morning. Are you satisfied with the way the Madison Guaranty issue has been handled by the RTC?

MR. GREENSPAN: The oversight board has, as far as I'm concerned, had no relationship with the Madison issue because that is a special case which is handled by the RTC directly. And I must say, I have not followed it in any manner which would enable me to address the question in a useful manner for you. SEN. RIEGLE: Senator D'Amato?

SEN. ALFONSE D'AMATO (R-NY): Thank you, Mr. Chairman.

Mr. Hove, on August 10th, 1989, there was a letter written to Mr. John O'Donnell by a Ken K. Schenck (sp). He's a credit specialist. I don't know whether you've seen this letter in your reviews of this whole matter, but just let me read you the last paragraph.

"In the process of our suit against Frost & Company, we will most certainly examine practices and procedures Madison Guaranty used in the day-to-day operations. We are making this information available in detail to Mr. Hubbell." Now listen to this sentence: "To believe that none of this information will make it back to his family is naive. I do not know whether or not any information upcoming will be damaging, however, I would like someone with a wider scope of authority to review the situation and possibly eliminate this conflict." Here's a credit specialist who's telling you what the real world is about. He was there.

Now, let me go on. In the report released by the FDIC -- eight pages of what I think is the

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most incredible whitewash of Whitewatergate that I've seen. This is incredible -- incredible. And I've spoken to you just briefly before and I told you what I'm going to ask you. Page six, the bottom: "In addition, we have found no evidence that the firm had a close relationship with the S&L which might call into question its independence."

I mean, I have to tell you, given the information that your people were reporting back to Mr. O'Donnell, FDIC S&L project area coordinator, August 10th, 1989, given this incredible -- I'd say the FDIC makes an assertion that the Rose Law Firm did not maintain a close relationship with Madison Guaranty. That's incredulous in light of the fact that they had a monthly retainer with them for 15 months for several years earlier. I mean, how do you come to this conclusion?

Now let me ask you one other thing. Is it true that no documents were reviewed as part of the FDIC's internal review which was conducted by your law department? Is that true?

MR. HOVE: Let me respond to your question in the order that you gave them. You first talked about Mr. Hubbell and his relationship with the suit -- with the Frost accounting firm.

SEN. D'AMATO: Have you seen this memo?

MR. HOVE: I have not seen that memo.

SEN. D'AMATO: Let's have staff give a copy of this memo to Mr. Hove, please.

MR. HOVE: Let me respond to that.

SEN. D'AMATO: Would you like to look at that last paragraph and let me know whether or not your people, in conducting this review have seen this? It goes back to 1989. And the person who sends it says it would be naive to think that Mr. Hubbell would not pass this information on to his family.

MR. HOVE: But let me respond by saying that even if he had the issue between Mr. Ward, who is Mr. Hubbell's father-in-law, and the Madison Guaranty had been already decided, and Mr. Ward had a judgment at that time against Madison. That case was on appeal, and therefore, any information that Mr. Hubbell could obtain, even if he would obtain it, and give it to his father-in-law would not be admissible, would not be in the appeal process, even if he had had the information to give to him.

SEN. D'AMATO: Mr. Hove, did you ask you, did read page six, the bottom of your report? Because we don't have much time. So I'm going to -- it says, "We find no evidence that the firm had a close relationship with the S&L." Do you really believe that to be the case? Do you really believe that a monthly retainer that Hillary Rodham Clinton had did not establish a close relationship? Are you really suggesting that there was none?

MR. HOVE: Her relationship --

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SEN. D'AMATO: Is that credible in light of what you know? MR. HOVE: Her relationship with Madison was on an issue that was in a state agency and not with the federal government. It was not with the FDIC. And our case was not against Madison. Our case was against the Frost Law Firm -- or over the Frost accounting firm.

In addition, we find no evidence that the firm had a close relationship with the S&L, which might call into question its independence. I mean, are you serious? I mean, that is a conclusion that was made. Let me tell you, it was made by your legal department. Let's go into something else. As part of last year's RTC Act, we have an inspector general that was created in the FDIC. Was the FDIC inspector general involved in this review?

MR. FIECHTER: No, sir. The review was started at your request, if you recall. I had indicated to you in my confirmation hearing that we were undergoing a review by our legal division as to what was the policy, the conflict policy that may be in effect between the Rose law firm and the FDIC in the lawsuit that Rose was doing for the FDIC against the Frost accounting firm. SEN. D'AMATO: Let me ask you this. Do you plan to ask the inspector general's office to analyze the procedures used by the FDIC legal staff in conducting this internal review and in essence to review this matter?

MR. FIECHTER: I would do that if the committee requested that. SEN. D'AMATO: Well, I'm requesting it, and I would suggest that you didn't need -- you wouldn't need the committee to ask you to do this. I'd suggest to you that it's your job to do it. I'd suggest to you that when you have such obvious areas of conflict in this report, when you're saying that there was no close relationship, when you're suggesting that Webb Hubbell would not and was not in the position to give any information to his father-in-law, that is incredulous. And if you don't have an inspector general looking to something like this, then what do you have him for? And what do you have? You have staff people who are going to make -- who make this kind of determination?

Now, I have to tell you you will be doing yourself and the FDIC, I think, a great, great damage if you just think that you're going to let it rest on this eight pages of sophomoric, legalistic mumble jumble that doesn't hold water. And I've just looked at this report. I've seen some occasion to see it in the newspaper. This is the first time I've had an opportunity to review it personally this morning, and it's shockingly inept.

Now, question. Do you intend, not by way of this committee instructing you, to put this matter, and don't you think it's appropriate that it be submitted to the inspector general? Yes or no?

MR. FIECHTER: Senator, we've been reviewing this to review our procedures, to review our procedures with conflicts, with conflicts not only with the Rose law firm but every law firm that we deal with. And our procedure is to deal not only with the actual conflicts but also to deal with the appearance of conflicts. And in this case had we done that, had we dealt with the appearance of conflicts, it is likely that the appearance would have been different -- the conclusion may have been different. But Senator, this has been several years ago. At that time we had many cases coming in to us as a result of the savings and loan failures, and the conflict, under the rules that we were dealing with at that time, did not present any conflict of interest from the Rose law firm suing the Frost accounting firm.

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SEN. D'AMATO: It's what we're doing today. Today you're saying there may be a conflict back then because they didn't have clear rules spelled out. Today you're saying there may be a conflict back then because they didn't have clear rules spelled out. Now let me tell you whether it smells today -- and it smelled then -- I don't want to get into this legalese that maybe -- I want to know if you're going to ask the inspector general to review this matter. That's a question.

MR. HOVE: I will do that if committee requests it.

SEN. D'AMATO: Well, Mr. Chairman, I would at this point in time move that we ask that this matter be reviewed by the inspector general. Now this is not going to interfere with any federal prosecution that's taking place, but it's a question of ascertaining whether or not we're getting the facts. It's a question of whether or not legal counsel has analyzed all the documents. I don't know -- I read in one news account that says that no documents were received as part of the FDIC's internal review. I don't know whether that's true or not, but that's certainly something I intend to pursue.

SEN. RIEGLE: Yeah, let me just respond to your question because the time is up and I want to stay within these time periods or we'll -- we won't be able to move any at all here in an efficient way.

Let me take your request under review. I'm not sure but what a request from a single senator may be sufficient to -- in asking for an inspector general review. I don't know without sort of looking at our past practices and precedents, but let us research that question.

SEN. D'AMATO: Let me thank you for the manner in which you've handled it, but I have to tell you something. I'm wondering why when I asked you a question, yes or no, would you undertake this -- and Mr. Hove, before you answered, the fellow behind you with the glasses who has got a lot of hair I wish I had, you know, came up and told you what to say. Now, can I ask what is your title and what is your responsibility?

MR. : The acting general counsel.

SEN. D'AMATO: You're the acting general counsel. Well, you know, sir, whether or not you're going to ask, it seems to me for this to be reviewed is a matter if you see that the propriety of this report, the integrity, the correctness of it can be substantiated. And it would seem to me that you'd want to do that.

MR. HOVE: Well, let --

SEN. D'AMATO: It would seem to me that without counsel coming to you and saying whether -- you know, you can wriggle out by saying that the committee has to ask. And I appreciate the chairman's response, I really do.

But I just want to make that observation, Mr. Hove. I find your response totally unacceptable.

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MR. HOVE: Mr. Chairman?

SEN. RIEGLE: We'll let -- I want to move ahead to Senator Kerry, who is next, and if you want to make a response, certainly --

MR. HOVE: Yes, I would like to, and first of all, all the documents, everything that we have discovered is available to the special counsel, and we will make that available to the special counsel. I will commit to you that I will ask the inspector general to undertake an investigation.

SEN. D'AMATO: Thank you. Thank you very much. And I think you have done the administration a service, yourself, the FDIC, and I applaud you for that. Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Kerry?

SEN. KERRY: Mr. Hove, you were originally appointed to your position by President Bush, weren't you?

MR. : That's correct.

SEN. KERRY: So you're a holdover from the Bush administration then. There's no special affiliation you have with President Clinton, is that correct? MR. : That's correct.

SEN. KERRY: I think it's a fair issue always as to what the level of review is, as to any institution, if it takes place. And I've certainly shared a public expression of concern about what the inspector generals have done or not done. But I would like to see, if it's going to be done, as to Madison, I really want to see it done as to Columbia and as to some of the others. I just think we ought to cover the board here.

Secondly, I want to point out the distinction here which we keep missing. And one of my colleagues earlier said if this were President Reagan who did this and it was Silverado and so forth, we'd be screaming. Those were sitting presidents who made sitting decisions regarding a policy at that moment in time that cost the taxpayers a lot of money. There is no sitting presidential decision here, there is no issue of presidential policy here. There is no issue of taxpayers being cost money by an action taken by the president of the United States at this time. This happened in 1982 and 1986, before they became president. Now, an individual died and there's an investigation into the death of that individual and what may or may not happened is a fair question with respect to the death. And that's being investigated by the first special prosecutor of an opposing party that I can think of in my public memory in public office that's been appointed. That is the clear distinction here. And it is a very real distinction. No taxpayer money, no public issue of policy, no decision of a sitting president of the United States with respect to what this committee has oversight on and is here for today.

The question is legitimate: what took place, were there relationships previously -- these are

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important as to all these banks. And it is fair for the special prosecutor to proceed on that, and it is even more important that this committee guarantee down the road that we investigate everything. I'm not sitting here saying something may not have taken place. In point of fact, there may be some indication that some folks outside of the White House may have some questions to answer. But there is no evidence whatsoever with respect to policy or taxpayer money or any decision made by the president of the United States that warrants this kind of inquiry.

Now, let me ask you, if I may, Mr. Altman, and Mr. Secretary, perhaps you can share with me, because one of our concerns is not just Madison but a whole lot of other institutions. I think 42 percent of the total losses fall in Texas alone. And there's a serious question about professional liability with respect to those institutions. I'd like to know, to date, what is the total amount of money recovered to date from directors or officers of these institutions nationally?

MR. ALTMAN(?): \$640 million, senator.

SEN. KERRY: Six hundred and forty million?

MR. ALTMAN(?): From institutions -- from institutions.

SEN. KERRY: And that's recovered through liability cases. MR. ALTMAN(?): Those are criminally related recoveries.

SEN. KERRY: What about civil? Is there any at this point? MR. ALTMAN(?): In addition to that figure I gave you, about \$745 million from civil-related recoveries.

SEN. KERRY: So we have in fact recovered to date a billion three, is that correct? It's not insignificant.

Can you break down where that has taken place? It's my understanding 42 percent of the total cost of bailout was Texas. Is there a corresponding recovery rate or any kind of rate you could give us as to where the most money came from?

MR. ALTMAN(?): I don't have information with me, senator, on state-by-state breakouts, and I don't know whether --

SEN. KERRY: Would it be possible just to get that at some point in time? MR. ALTMAN: We'll be happy to do our best to do so.

SEN. KERRY: I think it would be good to have a sense of that. It's my understanding that you were going to take a look at this question of sort of why the recovery rate may or may not have been low. Have you been able to draw any conclusions as to that? I mean, one of the things I heard is that a lot of the attorneys who came on believing that they were going to be able to engage in recovery grew so frustrated at not being able to do so in the early years that they left. I don't know if that's legitimate or if you've found other reasons, but could you

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share with the committee what, if anything, you may have discovered with respect to the recovery process?

MR. ALTMAN: As I said in my opening comments, the entire PLS area has been a troubled one, and there have been complaints from both ends of the spectrum about overzealousness and about inadequate pursuit. And we've had as GAO in its report noted a high degree of turnover and difficulty retaining -- recruiting and retaining experienced attorneys because of the temporary nature of the RTC. After all, here we are with less than two years to go.

SEN. KERRY: Currently that's true. What about in eighty -- what about in the early stage -- late -- late '80s?

MR. ALTMAN: Well, of course, the RTC has always been intended to be a temporary agency, and I'd just refer you to the GAO report which concluded that that was a particular problem. And as I've mentioned, we've made a series of efforts to strengthen that, the most important of which is to hire a very good and very strong general counsel.

When we inherited responsibility for the RTC, despite its being such a large institution -- as I said, larger than almost any private financial institution in the country -- it didn't have a full-time general counsel. And that's a very important step we took. We've also got more PLS attorneys on board today than ever before in the history of the organization. So we're making every effort to try to fulfill all the responsibilities we have in this area. I don't think there's any way to know, senator -- or if there is, I don't know -- whether -- or what percentage of recoveries that have been made compared to the potential that an ideal effort, a perfect effort would have obtained. I don't -- I don't know the answer to that.

SEN. KERRY: Okay. My time is up. Thank you very much, Mr. Chairman.

SEN. RIEGLE: Thank you much, Senator Kerry.
Senator Bond is next.

SEN. CHRISTOPHER S. BOND (R-MO): Thank you very much, Mr. Chairman. Mr. Altman, are there special measures taken when in the resolution of a failed thrift you find it to be affiliated with a high profile individual? Someone in government, for example?

MR. ALTMAN: The procedures, Senator, which the RTC follows are intended to be identical in each case, and they certainly have been identical in the case discussed this morning.

SEN. BOND: After you discovered that the president of the United States's name might be mentioned in a criminal referral being made by your agency, did you take any steps to ensure that documents created in the case were protected and preserved?

MR. ALTMAN: When the possibility of a criminal referral was brought to me, I took one step, and that was to instruct all the relevant RTC personnel to handle any judgments about criminal referral in the same exact fashion that they would be handled in any other PLS matter, no deviation whatsoever. As far as documents are concerned, the same thing.

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SEN. BOND: You instructed them to handle the documents in the same way? MR.

ALTMAN: That's correct.

SEN. BOND: Were there any instructions received by you or to, your knowledge, anyone in your agency from the Department of Justice, the White House or special counsel with respect to the retention of documents?

MR. ALTMAN: To the best of my knowledge, and I believe I know this, there were no requests or conversations with the White House whatsoever on that. With regard to Justice and the special counsel, I'm advised there have been conversations, the essence of which is that each party reminding the other not to take steps or release information which could jeopardize either party's investigation.

SEN. BOND: Given the facts I set out in my opening statement, we are concerned about whether all the documents are there, can you assure the committee that no one has issued any instructions to you or your agency to retrieve, relocate, destroy or tamper with any documents dealing with Madison, its affiliated enterprises, directors, owners or business partners?

MR. ALTMAN: I have no knowledge whatsoever of any such effort. SEN. BOND: Has anyone in your agency, specifically the Department of Records Management, indicated to you there are any missing documents? Or has anybody discovered any files missing or unaccounted for?

MR. ALTMAN: No.

SEN. BOND: You are absolutely sure that --

MR. ALTMAN: No, your question was: Has anybody indicated to me. SEN. BOND: All right.

MR. ALTMAN: The answer is no.

SEN. BOND: Would you inquire of your records management agency whether they have either, A, been given instructions about the handling of documents from somebody outside or if they have found any evidence of missing documents or find that there are documents apparently missing? If you would inquire of that and advise us if you do find that there is such information?

SEN. RIEGLE: I think the stenographer should note that he's nodding in the affirmative.

MR. HOVE: Yes.

SEN. BOND: Finally, will the RTC release copies of the initial September 1992 referral to the Department of Justice and copies of the second referral on October '93?

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MR. HOVE: Senator, we're not in a position to release any documents that could have a negative impact on the investigation. I don't think you would want us to do that. And documents of that type that you're talking about fall into that category.

SEN. BOND: Allegations were made by Susan McDougal that many of the Whitewater files were actually delivered to Mrs. Clinton in 1987. What steps have been taken by your agency to recover those files or to ascertain where those files might exist?

MR. HOVE: I have no knowledge of that matter.

SEN. BOND: Have you heard of the allegation?

MR. HOVE: Actually, no.

SEN. BOND: Mr. Altman, I know there's many aspects to it. I was just reading one of the stories appearing in Commentary which referred to those allegations. We don't know if they are true or not, but I would suggest that someone should make inquiry to ascertain whether there is any truth to the allegations and if so, to take appropriate steps to recover such documents. Finally, where are the documents being kept, and have they been thoroughly catalogued?

MR. ALTMAN (?): Well, I can assure you that all proper procedures relative to safeguarding of documents are being followed. We also have a responsibility in regard to any case to obtain all the necessary materials for purposes of making a litigation decision. So any documents that the legal staff at the RTC believes would pertain -- would help it reach a conclusion on a litigation decision, in this or any other matter, it makes a maximum effort to obtain.

SEN. BOND: But that -- you have no knowledge of the specific question I asked about the records potentially in the possession of Mrs. Clinton? MR. HOVE (?): None whatsoever.

SEN. BOND: Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Boxer?

SEN. BARBARA BOXER (D-CA): Thank you, Mr. Chairman. I want to pick up on where Senator D'Amato left off with Mr. Howe.

Mr. Howe, as a Bush appointee, you were familiar, obviously, with the laws in those days regarding conflicts of interest, and you said that at that time there had to be a direct conflict of interest. And the appearance of a conflict of interest now is considered important, but at that time, that's not the way things were done. Is that correct?

MR. HOWE: That is correct, Senator.

SEN. BOXER: So the law was strengthened, and now you have to look at the appearance of a conflict of interest.

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MR. HOWE: It's not a law, it's a procedure that we have at the FDIC. SEN. BOXER: All right.

MR. HOWE: And at that time, we were looking only at the conflict of interest. Now we look not only at the conflict but also at the appearance of any conflict. SEN. BOXER: Right. Well, Mr. Chairman, I think this is a very important point. And what I would like to suggest is this; my colleague, Senator D'Amato, is very interested in this one particular S&L, which as I understand it, on the list of failures is the 194th largest in the country. I'm also interested in seeing if there were conflicts when lawyers were hired in some of the bigger closures. For example, there were, as I understand it, 14 S&L failures that cost the taxpayers more than one billion [dollars] each. Of these mega failures, six were located in Texas, two in California, two in Arizona, one in New Jersey, one New York, one Florida and one Pennsylvania. And I would like to ask you -- and since I think the chairman said a senator can make a request -- that in these mega failures, these six, I would like you to go back and take a look at the law firms that we used at that time to see if there were conflicts of interest and have a -- and at the same time that you issue this to Senator D'Amato, I would very much appreciate knowing that because I do have a big concern about the scams that were going on at that time.

MR. HOWE: Senator, many of these cases probably were the RTC cases and not the FDIC. The reason that we had this case was that we inherited the FSLIC cases in late 1988 or early 1989. This one came to us at a window of time prior to RTC's being created. So I think that your request might better be directed toward the RTC.

SEN. BOXER: Well then I will make that request to the RTC and ask that we have that report. Would I make that to Mr. Altman or Secretary Bentsen? Mr. Chairman, who do you think would be the appropriate party?

SEN. RIEGLE: Well, they both are hearing it, so --

SEN. BOXER: All right. Well, I will assume that will be done because, as I say, what I find most incredible is that there's this outrage directed at one particular situation, and it's so obvious why. You know, Mr. Chairman, I just want to say this, if I might -- I'll get back. I just have to say this, if I might. We all bring our experiences to the table, to our committees, to our work. And as I sat through this, I had the sense that this reminded me of something, the dynamics here, and it comes back to my being a mother and my experience in raising two kids, and when they wanted something, they made a pretty strong case.

And if they really wanted something, they stamped their feet. And if I gave them what they wanted, I expected them to be happy because I acceded to their request. And if they kept on stamping their feet, I'd tell them, "You're unreasonable." And if they kept it up, I'd take further action. But I think what I see going on here is that there was a demand for the best and most impartial person to look at a situation that obviously had a lot of political overtones, and in an attempt to handle it fairly, that request was granted, and we don't know the end result.

But what I see happening here, Mr. Chairman, is that people are still stamping their feet as if

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nothing's been done. Something very important has been done. A lease has been taken on offices for something like four years. Eight attorneys are looking at this whole situation. Every question that's been asked by my colleagues is being looked at, not by a Democratic prosecutor, as Senator Kerry has pointed out, but by a Republican prosecutor, and someone who I believe has the faith of the American people, if not some of the senators here today, who seem to want to interfere in that investigation.

SEN. RIEGLE: Senator Boxer, I might just say, you may or may not have seen this in this morning's Washington Post, but there have been 25 FBI agents assigned to work with the special counsel, in addition to that legal staff that you cite.

SEN. BOXER: Yes. And, Mr. Chairman, I have to say that gives me great comfort. As much as I respect my colleagues' skill at questioning and badgering, I'd rather have this matter handled by someone who is so well-respected, cannot be accused of partisanship, as my colleagues on the Republican side here could be or I could be or Senator Kerry could be. So let's stop stamping our feet, and let's say this is good, that this investigation is going forward. And I really do have faith that we will find out what the problems were. And we don't know where it all will lead, but I don't think that turning this hearing into a browbeating of witnesses here does any good here at all.

I have some written questions I would like to submit, but I would have to say overall I am pleased with the report that we're getting. It seems to me we're moving along, perhaps, hopefully, under budget, moving forward with women and minorities and the things that many of us care about, and going after these crooks. Thank you.

SEN. RIEGLE: Do you want to say something? Otherwise I'm going here. MR. ALTMAN (?): No, no. I just wanted to note to Senator Boxer that we would respond to that question that you earlier asked.

SEN. BOXER: Thank you. I really look forward to seeing that for those six institutions. Thank you.

SEN. RIEGLE: Thank you.
Senator Bennett.

SEC. BENTSEN: Mr. Chairman, if I might --

SEN. RIEGLE: Uh, excuse me.

SEC. BENTSEN: (Off mike) -- my responsibilities as secretary of the treasury to deal in oversight, and I'm specifically precluded from intervening in individual cases. That's the responsibility of the RTC.

SEN. BOXER: But the RTC will do that. Thank you.

SEN. RIEGLE: Senator Bennett.

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SEN. ROBERT F. BENNETT (R-UT): Thank you, Mr. Chairman. I agree with Senator Boxer: we all bring our personal experiences to this. I will try to stop stamping my feet. (Laughter.) I think that's an appropriate response, but --

SEN. BOXER: You've just been tapping your toe. (Laughter.)

SEN. BENNETT: I've just been tapping my toe. I must, however, out of my own experience share with you the number of times that I as a loyal Republican went to the White House in the Nixon administration and kept saying "You have got to get this out. You have got to find out who is behind this and tell the truth." And I kept getting told "This is a third-rate burglary that nobody cares about." I'm sure on a list of breaking and entering -- (laughs) -- this would have -- the Watergate breaking and entering would have been considered very, very minor. And people kept saying to me, "No, no, it'll all blow over." Well, it was members of your party, Senator Boxer, who kept stamping their feet and kept the thing up. A special prosecutor was appointed who in my recollection was a Democrat. I think Mr. Cox did not have very good Republican credentials when he was appointed to that circumstance.

SEN. KERRY: He was a Republican. One of the good ones from Massachusetts, but he was a Republican. (Laughter.)

SEN. BENNETT: He was a Republican? Well, I knew his law partner. He was a Democrat. We need not beat this further, but I do hope everybody understands that when there is an allegation of wrong-doing the smartest thing any politician can do is get all the facts out on the table. I've tried to do that. When I've been accused of making mistakes, I've discovered that the very best thing you can do politically is not try to cover it up, and that's the only advice I give my friends in this circumstance, having lived through the Watergate thing on the other side of it.

SEN. KERRY (?): Can I just take 30 seconds to say to my colleague that's exactly what we did. Senator Moynihan, national television, Senator Bradley, Senator Bob Kerrey, myself and others said appoint a special prosecutor, and indeed, the White House turned around and did it while the president was in Europe.

SEN. BENNETT: I understand all that, but I also understand that the stamping of the feet that went on prior to that probably had something to do with that decision. I don't think it was entirely sound public policy on the minds of the people on the other side.

Let's get back to the RTC if I can. I do want you to refer carefully to the article that I put in my opening statement. You've talked a great deal about minorities and women, and I yield to no one in my desire to see to it that there is fairness done.

The allegations that were made by the gentleman from Denver, however, is that there is serious reverse discrimination going on in the RTC, and that anyone who does not fall in that category cannot get a job and cannot get a promotion. And if that is true, that is something I think you should pay attention to. So I would ask you to review that.

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Now, make reference to continuing sales, and again, this is a personal circumstance. I've had a number of people come to me in Utah and say here is a marvelous investment opportunity to pick up at fire sale prices properties that can be enormously valuable. I have decided finally to divorce myself from having to make any investment decisions, and I put all of my assets in a managed trust and trust the trustees of that trust to make those kinds of decisions. But I said to them I cannot personally invest in this because I sit on the Banking Committee and it's involved in oversight of the RTC and these are RTC properties.

But I did, prior to creating the managed trust for my assets, go through the process of looking at them, and as a businessman, I can say you really are moving them very rapidly because it struck me that some of the prices were indeed unduly low and that the RTC could in fact have gotten a better price almost as quickly if not just as quickly as they were getting for some of these properties. Do you have a sense on that issue? I'm not accusing you of anything, I simply want you to talk about it.

MR. ALTMAN: Well, first of all, Senator, we have a statutory responsibility to maximize recovery for the taxpayer, so we must pursue sale techniques which respond to that goal. Second, all RTC assets, for practical purposes, are sold at auction, auction of one kind or another. So rather by definition, the market -- the price which the market establishes on that day is the price. It's always possible to look back on any transaction and say you should have done it later or you should have done it earlier, but fundamentally all of our sales are on an auction-style basis. I think the only other point I would make is that we're now in -- we now -- our inventory today is of the harder-to-sell variety as we're getting down toward the end. So our recovery rates, as I mentioned in my statement, are lower. I think last year we recovered at a rate of 76 percent of book value, and this year it'll be in the mid sixties. The character --

SEN. BENNETT: Let me just go back to your earlier statement. I understand what you're saying here, and I don't want to be argumentative about it. One instance, we were told -- or I was told that while it was technically an auction, the RTC had determined the price and that, if I would simply submit a bid for this price, I would be guaranteed to get it, that the RTC would not entertain any other requests. And I turned it down, as I say, for the reasons I've described, although I'll say to my colleagues, the ethics committee told me I need not have done that. I could have made the investment. I decided to avoid the stamping of feet later on in some future campaign in Utah. I would not run the risk. But it was my understanding that the people who did ultimately pick up the property did it for the price that we were told was the price. And we were told, "Yes, this is technically an auction; there will be a sealed bid, but this is the sealed bid we want and if you submit it at that price we can guarantee that you will get it."

MR. ALTMAN: I'd like to make points. The first is -- that's not how it's supposed to work, and if it worked that way -- just taking your comments in their entirety -- it should not have. Second, the RTC does reserve the right to reject bids and to establish in effect reserve prices or floors. So, it isn't the case -- it isn't always the case that whatever the high bid is it's accepted. But, there should never be an auction where any such indication, any such knowledge is provided beforehand; if it was, it was a mistake and shouldn't have happened.

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SEN. BENNETT: I'll just assume that it was a mistake in a particular circumstance, and I'm grateful to you for your response.

SEN. RIEGLE: Well, and perhaps a look could be taken at what may have been going on there, because that's not -- you know, let's not have it happen again. Senator Sarbanes was not given a chance, was not here in the sequence to give an opening statement and has asked to do so and I'm going to acknowledge that as I do with everyone. And then after he's done that, we'll start his time clock on questions. Senator Sarbanes.

SEN. PAUL SARBANES (D-MD): Mr. Chairman, I'll be brief. I don't want to impose on my colleagues, but I can't forego the opportunity with Chairman Greenspan here before us not to talk about interest rates just briefly, since I think they're so essentially involved with where the economy may be going. And I just want to -- I want to make a statement about that. I've met with the chairman from time to time, both privately and of course in public sessions, and I've raised with him the concern that a hike in short-term rates would raise long-term rates. The chairman's position has been, as I understand it, that when short-term rates go up long-term rates would initially rise but that within a few weeks or so they would settle back down to a level near where they had been when short-term rates were raised. We then contacted the Fed for the analysis that in effect was the underpinning for this statement. We've had difficulty getting that analysis, but it's finally been forthcoming. And as the Fed says, and I quote, the Fed staff, "As you have noted, short- and long-term rates do tend to move together." They then go on to make a rather subtle argument that to the extent that the Fed is ahead of the curve the response of long-term rates is less than when the Fed is moving too little too late, in responding to a build-up of inflationary pressure. So in a sense, they're shifting, as I understand it, the position that was asserted to me by the chairman.

On the morning of February 4th when the Federal Open Market Committee raised the Fed fund rates from 3 to 3-1/4 percent, the 30-year bond rate stood at 6.30 percent -- 6.30. Since that time, long-term rates have risen steadily. As of the close of business yesterday, the 30-year bond rate was 6.65 percent. Thus, since Fed funds were raised, long-term rates have risen by 35 basis points; in other words, more than the 25-basis-point increase in short-term rates. Now last summer at a hearing with Henry Kauffman (sp) and Paul Samuelson (sp), copies of which testimony were sent to the Fed and with a request that it be distributed to members of the Open Market Committee -- Henry Kauffman (sp) argued that raising short-term rates could lead to higher long-term rates; in other words, the contrary of this position that was asserted that if you take up short-term rates, you can bring down long-term rates. And I quote Kauffman (sp). "I also take issue with the assertion that a small increase in the Fed fund rate this summer would be welcome by the financial markets and would accordingly lead to a decline in bond yields. Perhaps. But equally likely is that the bond market would interpret such a rise in the federal funds rate as the first of a number of future increases, and market participants might easily react by pushing bond yields higher. Under that scenario, the rise in the federal funds rate could magnify inflationary expectations, precipitating a sell-off of bonds."

Now just today, Hobart Rowen, one of our nation's most perceptive economic commentators, has an article in the Washington Post headed, "The Fed Meddles," and I just want to quote

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from it briefly. "As it has many times in the past, the Federal Reserve Board is taking the country down the wrong road by raising interest rates. It has violated the dictum, 'If it ain't broke, don't fix it,' and as a consequence, the smooth recovery from recession that has cheered business and consumers over the past year is being threatened. "Fed Chairman Alan Greenspan told the Joint Economic Committee in widely analyzed testimony January 31 that the central bank, which had allowed interest rates to fall to record lows, would not change policy to slow economic growth. But four days later, on February 4th, the Fed raised short-term interest rates by one-quarter of a point in a, quote, 'preemptive strike,' unquote, against future inflation. To make sure there was no doubt in the markets that the Fed had decided to interrupt the easy money pattern, Greenspan publicly announced the move. "In new testimony this week, Greenspan failed to justify the Fed's action. He admitted that there was no discernible inflation, that wages are not moving up, that there is virtually no fear the economy is growing fast enough to make overheating a danger."

Now, the whole problem here -- and I -- this is to close this statement, and then I have just a couple of questions to put to Mr. Altman. I won't take anywhere near my question time because I -- is all -- it's all encapsulated in this -- in this cartoon, which shows this truck moving down the road. It says "Economy". And the economy has been moving down the road, and we all want to see that. The driver here has got his hands up to his head in horror. He's slamming on the brakes. As you can see, "Brake. Screech," bringing this truck labeled "The Economy" to a halt. And the reason he's doing it is because out here in the middle of the street is a man labelled "Greenspan". (Laughter.) And he's bending over here. He's out in the middle of the road out in front of the truck, obviously forcing it to come to a screeching halt. He's bending over to pick up these papers here that say "Interest Rates." And he's saying, "Let's see, we'll just pick these up."

Now --

MR. GREENSPAN: You know, senator, I pulled a muscle in my back and I now just realize how I did it. (Laughter.)

SEN. SARBANES: Well, I'm glad we found the explanation for it, Mr. Chairman. SEN.

KERRY: You know, Mr. Chairman, if you say something really interesting now about interest rates you could functionally terminate this hearing and relieve us all. (Laughter.)

SEN. SARBANES: Mr. Chairman, I know that's not the focus of today's hearings, but I think this matter is of such importance. The Fed, of course, is urging the Congress to stay the course on fiscal policy. I happen to agree with that. I think we ought to stay within the constraints of the agreement that was reached last year, and I expect that we will. But by the same token, it's my own view that the Fed should have stayed the course on monetary policy, certainly until we had greater assurances that real growth was taking place in some lasting and permanent way and some evidence that one can look to that indicates that we're beginning to get some kind of inflationary problem. Now, Mr. Altman, I just want to put a couple of questions to you. Earlier you were questioned by one of my colleagues on the other side who went through a list of -- (laughs) -- sort of "Have you stopped beating your wife" type questions, I thought. And so let me try to turn it around and get -- I want to be sure.

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Do I understand that the cases to which they're making such reference were handled in the same way that all other cases were handled -- in other words, according to regular procedures?

MR. ALTMAN: Senator, the instructions that I gave were that all procedures, normal procedures should be followed in this matter without any deviation. SEN. SARBANES: And to your knowledge, that's -- I mean, to the best of your knowledge that's the case. Is that correct?

MR. ALTMAN: Yes.

SEN. SARBANES: Mr. --

MR. ALTMAN: Of course, I'm commenting as to the handling of the case under my responsibility. I'm not making a comment about matters that I have no knowledge of of three or four years ago.

SEN. SARBANES: Oh, I understand that, but as I understood the questions that were put to you, it was with respect to your own responsibilities. I don't how you could be expected to assume the responsibilities of others, so to speak. Mr. Chairman, I just have one comment about the constant reference here to Madison and Whitewater and so forth. And that is that, you know, an independent counsel has now been selected. I read the transcript of his press conference with the Attorney General when it was announced. Actually, as I understand it, or as he said, he defined the scope of the investigation. In fact, he says, "I'm totally satisfied that I will have the independence and complete authority to do this job right." And then the resolution by which his jurisdiction is defined, this is Robert Fiske now I'm talking about; "This resolution has been deliberately drafted broadly. It was drafted by me to give me the total authority to look into all appropriate matters relating to the events that bring us all here today." And he then goes on to specify that.

Now, of course, I think Fiske is regarded highly. In fact, Senator D'Amato called him "a man of unflinching and uncompromising integrity. He's the kind of person who will bring out the truth for the American people so there will be no question as to the thoroughness and objectivity of this investigation." I don't differ with that evaluation, I say to my distinguished colleague from New York, from what I know about Mr. Fiske and what's been told to me about him. So I think that's an accurate evaluation of him. Now, the other point I want to address is, he was asked in that conference, "Do you think that a congressional hearing of any kind at this point might hamper your investigation?" This was a question put to Fiske by a -- at that press conference when he assumed his responsibilities. And this was his response, and I quote him -- this is now Robert Fiske I'm quoting, the independent counsel: "I think the history of these situations is that it is difficult to conduct this kind of investigation at the same time a congressional investigation is going on. The decision whether to have such an investigation obviously is not mine, but I think just looking back at the past, we can all see that that is not an easy relationship." End of quote.

And I just wanted to put that on the record, because I think it's very important to understand

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that, you know, an independent counsel now has been selected. The independent counsel has been given a grant of authority -- actually, according to his own testimony, he defined, in effect, the grant of authority. I haven't quoted it, but the attorney general is very clear here in her statements that he has a full scope to proceed as he deems necessary and to call upon any resources that he thinks are advisable. And it seems to me that, you know, we've put the matter where it ought to be put.

Now, there was some delay in getting to that point. I understand that. But that's the point we are at now, and it seems to me that that is -- ought to be reassuring to the American people that this matter will be looked into thoroughly and comprehensively and that Mr. Fiske and his associates -- and he's now in the process of putting together, I understand, a rather large and first-rate staff -- will get to the bottom of this matter. And I think it's very important that that be put on the record.

I thank the chairman.

SEN. RIEGLE: Thank you, Senator Sarbanes.

I made reference earlier -- I'd just take one moment before calling on Senator Faircloth. I made reference earlier to the actual legal charter of independent Special Counsel Fiske which is published in the Federal Register on Friday, February 4th, and I've read it. And it's really quite a -- I just hold it up here, and we'll put it in the record so that it's there in the context of this discussion. But this is about as broad and as firm a legal mandate as anyone could have. And I notice here that under the Department of Justice the action to accord him that kind of operating latitude was in the form of a final rule. So this locks it in. I mean, this independent counsel, I think highly regarded across this board -- from Senator D'Amato's comments to others that have been made by other people who know him well -- has the authority to go anywhere he thinks it necessary to go. And I again make reference to that article today in The Washington Post, because he's obviously setting up subsidiary investigative efforts, where he's putting together teams to go down each and every issue so that there are no questions left at the end of his work. In any event, I urge my colleagues to take a look at this, because I think it is instructive. Senator Faircloth.

SEN. LAUCH FAIRCLOTH (R-NC): Thank you, Mr. Chairman. And I want to thank you for the manner in which you've conducted the hearing. It hasn't been easy. I had one or two quick one-liners, and then I had some questions. (Laughter.) One of them is in sympathy with Mr. Altman. I bought and sold many a piece of land in my life. I never bought one that somebody didn't tell me I paid way too much for it, and I've never sold one that somebody didn't come immediately and tell me I should have gotten a lot more. But I survived. MR.

ALTMAN: You probably did very well.

SEN. FAIRCLOTH: Chairman Greenspan, I think -- two things. If we get nothing else out of all of this conversation, I believe it will demonstrate to the American people, and maybe to the Congress as a whole, that we need to keep the Federal Reserve, the Comptroller of the Currency, the Office of Thrift Supervision and the FDIC as separate entities, and it's well spent money to have them separate by the taxpayers' money to keep it as it is and not be consolidating it into a political position. I hope that's it. As Senator Sarbanes mentioned on

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your increase in interest rates and inflation, I have observed over the years that inflation is somewhat like Alzheimer's disease; you've had it three or four years before you find out you really have it. And inflation moves before we -- it goes underground a long time. So I think you're absolutely right in increasing rates in anticipation of what might happen. I have found that inflation -- a recession will scare you -- in business, a recession will scare you to death, but inflation will kill you. And I have a question for Mr. Hove.

Mr. Hove, it's my understanding that Webster Hubbell, in his current position as associate attorney general, and in his words, "chief operating officer" at the Justice Department, has formally recused himself from matters regarding Madison Guaranty. Would you agree with me that it would be improper for Mr. Hubbell to seek to involve himself in the FDIC investigation beyond what he was asked by the Legal Division?
And if you will -- since that light is looking at me -- I'd like yes or no answers, if you would.

MR. HOVE: I think the issue of Mr. Hubbell recusing himself is an issue that Mr. Hubbell has to deal with.

SEN. FAIRCLOTH: Fine. Have you had any communication with Webster Hubbell concerning the Legal Division's report?

MR. HOVE: I have not.

SEN. FAIRCLOTH: Are you aware of any communication between Webster Hubbell and an FDIC official in the general counsel's office regarding Mr. Hubbell's role in the Legal Division's then-pending investigation and report? MR. HOVE: Yes, sir. Legal Division has had conversations with Mr. Hubbell. SEN. FAIRCLOTH: Are you aware of any communication between an official in the general counsel's office in Washington and the FDIC official in the Kansas City, Missouri field office regarding Webster Hubbell's role in the then-pending investigation and report?

MR. HOVE: No, I'm not aware of that.

SEN. FAIRCLOTH: Would you be willing to let the general counsel's office release their telephone records for the week of January the 24th through January the 31st?

MR. HOVE: Senator, we're willing to release any non-confidential information that would be generally available to the public. As you might know, many of these things would be privacy concerns and we would be concerned about releasing those without redacting some.

SEN. FAIRCLOTH: So you would not release them?

MR. HOVE: No, sir, we will release them, we will release any non-confidential --

SEN. FAIRCLOTH: All right, that's -- who decides whether it's confidential or not?

MR. HOVE: Well, does it include -- does it deal with privacy of the individual. SEN.

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FAIRCLOTH: Well yes it does, but we need -- yeah, sure it does. That's what we want them for. (Laughter.) Will you?

MR. HOVE: We'll release anything that is publicly available, yes, sir. SEN. FAIRCLOTH: Well, it's not publicly available or we wouldn't be asking for it to be released. If it were in the want ad section, I'd have gone there to get it.

MR. HOVE: Yeah, we have log of everyone that we've contacted, everyone we've talked to on the phone, and we'll release that.

SEN. FAIRCLOTH: All right. Okay, that's what we need.

I see in the Wall Street Journal and the Chicago Tribune, and it's generally out, that you found no conflict of interest between Ms. Clinton and her work in the Dan Lassiter (sp) and First American Savings and Loan, that you find her completely innocent.

MR. HOVE: Senator, let me talk about that issue because that was not an FDIC issue, and that was not an investigation or a review that the FDIC has done. That was an issue that happened before FDIC ever became involved. That was an issue between the old FSLIC -- the old Federal Savings and Loan Insurance Corporation and the failed savings and loan, First American in Illinois. They had filed the suit against Lassiter (sp). They had settled that suit before FDIC ever became involved in that. It was an issue that had happened way before FDIC ever became involved in it.

We have not reviewed that. We have looked at --

SEN. FAIRCLOTH: May I ask one quick question?

MR. HOVE: Yes.

SEN. FAIRCLOTH: Who settled it? Ms. Clinton and Foster? Is that -- it was settled -- you say it was settled. It was settled by Ms. Clinton and Foster. MR. HOVE: I'm not sure that it was settled by Mrs. Clinton. Mrs. Clinton's involvement was to sign an amended complaint for Mr. Foster that amended the complaint from the savings and loan against Lassiter (sp). That was her only involvement in that case.

SEN. FAIRCLOTH: All right, go ahead. I'm sorry, I interrupted you. MR. HOVE: That case was settled over six years ago by the conservator. The conservator for that savings and loan had hired a law firm in Chicago. The law firm in Chicago subcontracted the Rose law firm to work on this case for them as the conservator. The lawsuit was settled before we ever got it, and normally these facts would not trigger an investigation for us, but because of the increasing public interest -- and if you choose, we will conduct an IG investigation to determine that -- but again, the records are scattered all over because it's the old FSLIC records and they were not compiled in any one location. So it's a very difficult issue. It -- there's no single repository of these records. And we'd be willing to assist your staff in locating any of these records that may be available and to make some determination as to what the involvement was.

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SEN. FAIRCLOTH: So this clearing of Ms. Clinton in any involvement with the American Savings and Loan and Dan Lassiter (sp) was done by the FDIC, it was done by the --

MR. HOVE: We have not cleared it. The only contact we've had on the First American Savings and Loan and the Lassiter (sp) case was a press contact that came as a result of an article that appeared first in the Chicago Tribune, and we responded to that saying exactly what I've told you, that this was not an FDIC issue, that it was in fact a FSLIC issue that occurred before FDIC ever became involved in any FSLIC issue.

The issue was settled, the settlement was made before FDIC ever became involved in this issue.

SEN. FAIRCLOTH: All right, so -- but the -- would the statute run on it, could it be opened by the special counsel?

MR. : I haven't any idea. That's a question I guess I'd have to ask my attorney.

SEN. FAIRCLOTH: Ask him.

MR. : (Confers.) I don't know.

MR. : I have no idea either.

MR. : We don't have enough records at this stage to know -- SEN. FAIRCLOTH: Thank you.

SEN. RIEGLE: Although I'll repeat again, and you'll read it from this Federal Registry (sic): "The independent special counsel has two authorities. One authority is for criminal prosecutions. The other authority is to proceed with civil actions." Now, the civil authority doesn't relieve any other regulatory body of whatever civil action they might appropriately take. But the point is, the special counsel has the specific grant of authority to proceed down both tracks. And it's laid out four different times in this charter of responsibility, and it's a very important point.

SEN. D'AMATO: Will the chairman yield? Just on that point, because to be quite candid with you, until the chairman read the grant of authority, I was given to believe that the special counsel would confine himself to the criminal side. I'm not suggesting to you that the grant may not give him broader powers. I would think it would behoove us, and I'm not attempting to get the exact language determined now, but if we could not, send a letter from this committee and ascertain, indeed, will he undertake the review of various civil matters, such as the one brought up as it relates to this last matter that Senator Faircloth brought up, and there are some others. I think that would at least set the record straight and we might want to put that to him and, again, have our counsel work together to put forth the appropriate question. But I think we should determine, indeed, is that the case.

Secondly, I make a quick point, and I beg the indulgence of my colleagues, by stating, I think that if you notice, at least where I have been attempting to take this, and I think some of my

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colleagues, we're attempting to ascertain what if anything did the RTC, did the FDIC, do in connection with these matters. That is not at variance with the charge of the special counsel. We are not, in attempting to find out what was done and what wasn't done, in any way disturbing his investigation. I think we have an absolute right to know what was done. We have an absolute right to know the appropriateness of the action, so --

SEN. BOXER: Can I have a point of procedure? Whose time are we on? I just was -- I've lost track.

SEN. D'AMATO: Well, I'm going to do it one way or the other.

SEN. BOXER: Well, I don't have any objection to your doing it. I'm just confused. Is this Mr. Faircloth's time that you're on? Or is this added time, so we can all get added time?

SEN. D'AMATO: I asked the chairman if he would indulge me so I could --

SEN. RIEGLE: He asked the indulgence of the chair and I'm going to let him finish his point.

SEN. BOXER: Okay, fine.

SEN. RIEGLE: And then we'll move to the next person here.

SEN. BOXER: I was just checking.

SEN. D'AMATO: So, again, this is not an attempt to do anything other than to see what has been done to date by those various agencies that have the collective and the individual responsibility to deal with these matters. That's one. And secondly, it would seem to me that it might clarify the issue -- certainly I was led to believe, and maybe incorrectly so, that the special counsel was not going to look into civil matters. I think it's important for us to ascertain that.

And so I put that to the chairman that possibly we review that matter. I'm not looking for an answer at this time --

SEN. RIEGLE: Well, I'm going to just -- I'm going to take a minute and just read it into the record because I don't want it to be --

SEN. D'AMATO: No --

SEN. RIEGLE: I know, but it's important, and the words are on paper, and this is the official charter. And I'm going to read from page 5221 of the Federal Registry of February the 4th of this year, and I'm going to just read three or four different lines here that appear in different places, and here's the first one: "The attorney general has appointed this independent counsel to investigate whether any individuals or entities have committed a violation of any federal law or civil law." And then it goes on in that vein. And then over on the next page it says again "... have committed a violation of any federal criminal or civil law relating to ..." And

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then again it says "... any violation of any federal law or civil law." And it says it one more time further on down the line here.

So it's clear -- my interpretation of this is that this does not relieve any regulatory body of any proper actionable efforts that it should properly undertake and determine to undertake, but it says that the special counsel clearly has the authority to move down both tracks if in his judgment he should find that that is warranted. And it's a very important fact.

SEN. DOMENICI: Mr. Chairman --

SEN. RIEGLE: Senator Domenici, let me just say the time -- we're at the point now where either you or Senator Gramm will get to ask questions, and you -- you're both here, and I don't know if either of you have a -- one will follow the other, but will either of you have a time problem as to who goes first?

SEN. DOMENICI: Well, I just wanted to ask you with -- on that question on your charter interpretation there, or reading --

SEN. RIEGLE: It's not an interpretation, it's what -- it's the final rule that was laid down on the --

SEN. DOMENICI: Well, what is -- what is the special prosecutor supposed to do if he finds civil law violations?

SEN. RIEGLE: He has the full legal empowerment to take whatever actions he deems necessary -- and all the investigative and prosecutorial authority to do so. I mean, this is an absolute charter.

SEN. DOMENICI: We'll -- we'll -- thank you very much for that.

SEN. RIEGLE: You can take a look at it.

SEN. DOMENICI: Senator Gramm, I have a little bit of time, although I'm late for some events. But if you want to go, I'll let you go and I'll follow. It -- Will there be another one from the other side that has not inquired yet?

SEN. RIEGLE: No. You are the last two that have a chance to question, so --

SEN. DOMENICI: Well, go ahead. Could you keep it brief, senator? Short?

SEN. RIEGLE: -- and then we'll go back and forth, senator. SEN. : No.

SEN. DOMENICI: No? (Laughter.)

SEN. RIEGLE: Senator Gramm.

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SEN. PHIL GRAMM (R-TX): You want to go ahead?

SEN. DOMENICI: No, you go. You got the time clock right there.

SEN. GRAMM: Let me begin. I've just got a simple question that I want to ask of most of the members of the panel, and let me just read it. Mr. Altman, I want to ask you first. Have you or any member of your staff had any communication with the president, the first lady, or any of their representatives, including their legal counsel or any member of their White House staff, concerning Whitewater or the Madison Savings and Loan?

MR. ALTMAN: I've had one substantive contact with White House staff, and I want to tell you about it.

SEN. GRAMM: Okay, let me, if I may, just -- given that "yes" I'd like to know what the substance of the communication was, when it occurred, who initiated it, and what you were asked to do.

MR. ALTMAN: Right. First of all, I initiated it. About three weeks ago, Jean Hanson, who is Treasury's general counsel, and I requested a meeting with Mr. Nussbaum -- he's the White House counsel.

The purpose of that meeting was to describe the procedural reasons for the then impending February 28th deadline as far as the then statute of limitations was concerned. I'm sure you know that that statute of limitations has subsequently been retroactively reinstated for certain types of civil claims. And we explained the process which the RTC would follow in reaching a decision before that February 8th deadline, that it would be exactly identical to procedures used in any other cases, any other PLS case, and that the RTC fundamentally would come to a conclusion as to whether or not there existed the basis for a claim or whether there didn't. And in the event that the basis for a claim existed, then it would pursue either a tolling agreement, which is the equivalent of a voluntary extension of the statute of limitations from the parties at interest, or it would file that claim in court. That was the whole conversation. I was asked one question. That was question was whether we intended to provide the same briefing to attorneys for the parties at interest. I said I assumed so, went back -- (inaudible) -- and checked with the RTC general counsel. The answer was in due course. I said fine. That was it. I have not had any contact with the president of the United States or the first lady on any matter like this.

SEN. GRAMM: If I may, let me pose the same question to Mr. Hove. Have you or any member of your staff had any communication --

SEN. RIEGLE: Mr. Hove, let me just -- I don't know if you know. This question's being addressed to you.

SEN. GRAMM: Have you or any member of your staff had any communication with the president, with the first lady, with their representatives, including legal counsel, with members of their White House staff concerning Whitewater or Madison Savings and Loan?

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MR. HOVE: Our director of the Office of Communications at the FDIC had received a call from a press person at the White House after the second article appeared The Chicago Tribune regarding the First American issue. They asked, did we have any statement? And the response given to the White House was, no, we did not have any statement.

SEN. GRAMM: So they were asking you to respond to the press statement? MR. HOVE: It was Mrs. Clinton's attorney.

SEN. GRAMM: Mrs. Clinton's attorney --

MR. HOVE: I'm sorry. It was Mrs. Clinton's attorney --

SEN. GRAMM: -- called you?

MR. HOVE: It was Mrs. Clinton's attorney that called the FDIC Office of Communication.

SEN. GRAMM: So Mrs. Clinton's attorney called the FDIC and asked you to respond to a press --

MR. HOVE: No, no, that's not what he said.

SEN. GRAMM: Well, I'm asking the question.

MR. HOVE: Yeah. No, but that -- but --

SEN. GRAMM: I'm not trying to speak for you.
What did Mrs. Clinton's attorney ask you to do?

MR. HOVE: They asked did we have any statement, and we responded, no, we did not have a statement.

SEN. GRAMM: Would it be normal that someone's -- did this attorney work for the federal government?

MR. HOVE: No. This was Mrs. Clinton's attorney.

SEN. GRAMM: When did this call occur, do you know?

MR. HOVE: After the second article appeared in the Chicago Tribune, and I can't tell you the date of that. It's been in the last, what, two weeks or so? I don't know.

SEN. GRAMM: And you were asked if you had a response that you were going to put out on it; you said no.

MR. HOVE: That's correct. We responded to the first statement, the first article that appeared in the Chicago Tribune, pointed out the errors of that article, that it was not an FDIC matter,

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exactly the same thing that I responded to Senator Faircloth.

SEN. GRAMM: And to the best of your knowledge, you've had no other communication, you and your staff have had no other communication with all the people that --

MR. HOVE: That's correct.

SEN. GRAMM: Let me pose the same question to Mr. Fiechter and to Ms. Ford.

MR. FIECHTER: To the best of my knowledge, I know I have and OTS staff has had no communication whatsoever with anyone from the White House about this or that list that you included in your question.

MS. FORD: No, the Oversight Board nor I have had any involvement in this matter.

SEN. GRAMM: Let me raise a second question, and it's a thing that I've tried to understand in looking at where we are and what we need to do to get on with finishing this matter. Part of the problem that we have had in the past with regard to congressional hearings and congressional involvement really has involved two things. One has been the granting of immunity by congressional panels for people who would testify. The other is that under the Constitution, the testimony of a member of Congress is a privileged matter that is given special treatment. In this case I'm not aware that anyone in holding a congressional hearing or looking into this matter would be talking about -- I don't know of a committee that would be empowered to grant immunity. No such resolution has passed the Congress. We're not talking about a member of Congress, where there's special constitutional provisions. I'd like to just pose the question: What would be wrong with letting members of this committee that have oversight responsibility look at the records in this case or any other case where we have oversight responsibilities? Mr. Hove, let me pose that to you and Mr. Altman, and then I see my time is up and I'll stop.

MR. HOVE: Our position is that we will make access available, and we have, to Congressman Leach, to all information that is, again, non-confidential documents.

SEN. GRAMM: How would you define what is confidential?

MR. HOVE: Again, those that would -- (pause) -- those that would involve privacy information that would be non-germane to this issue.

SEN. GRAMM: And you would make that judgment?

MR. HOVE: Yes.

SEN. GRAMM: Mr. Altman?

MR. ALTMAN: First of all, Senator, we have already provided volumes of documents to the Congress. Senator D'Amato referred at the very beginning to documents he received last

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evening, and I would have liked him to receive them earlier, but we only got the request last Friday.

But in terms of Congressman Leach, who has also received those documents, he has had them for some time -- if my memory serves, 6,500 pages -- the RTC has been asked not to make information about criminal referrals in the Madison matter public, and it's standard practice not to release information of that kind or any other which might compromise a criminal investigation. And of course, we're cooperating with the independent counsel to try to assure that we don't release any information which would jeopardize his investigation. And as I said earlier, I would think you would not want us to do that in order that that investigation should proceed as it should.

SEN. GRAMM: Mr. Chairman, if I could have your indulgence, I've got here a text of a newspaper article in Phoenix that contradicts something that Mr. Hove said, and I'm sure he doesn't want to let it stand. I've got a response, apparently after the second article, where the agency -- the FDIC did in fact make a statement. It says the agency said Mrs. Clinton's involvement in the case was not extensive enough to constitute a conflict of interest under rules governing federal regulation of savings and loans. I've got this if you would like to see it.

MR. HOVE: Was that after the second -- we made a comment -- we made a public comment after the first article appeared --

SEN. GRAMM: This is 2/16/94.

MR. HOVE: Okay, and I don't know when those articles appeared. SEN. RIEGLE: Why don't you take a look at it, and let's go to Senator Domenici and then --

SEN. GRAMM: (Aside) -- When did the other one occur, what's the date on the other one?

MR. HOVE: Senator, we commented after the first article appeared to correct any inaccuracies that was in the report. The involvement that Mrs. Clinton had in that case was, again, as I mentioned to Senator Faircloth, that she signed an amended complaint for her partner, Vince Foster, who was the attorney who was involved in the case. That involved two hours that was billed on Mrs. Clinton's part on that case in which she signed the amended complaint. As far as we can determine from the records we have, that was the involvement that she had had, and that's what we released at the time.

SEN. GRAMM: Well, if you would take a look at this and just let us know in writing if this was the second one, how the response was made, who made it, why they made it, it'd be fine. Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Domenici.

SEN. PETE V. DOMENICI (R-NM): Mr. Altman, Stanley Tate (sp) was nominated by President Clinton to head the RTC, and while preparing for that confirmation he was at the

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RTC in a consulting capacity. That's all true, isn't it?

MR. ALTMAN: Yes, sir.

SEN. DOMENICI: When he withdrew his nomination, he attempted to release to the public materials he had prepared containing the RTC operations. Are you and the board familiar with the document that I refer to?

MR. ALTMAN: Generally, sir, yes.

SEN. DOMENICI: Why did the oversight board prevent Mr. Tate (sp) from releasing that document?

MR. ALTMAN: Well, first of all, it was released.

SEN. DOMENICI: Well, you released it -- when he left it was not released and you claimed it should not be released. But then eventually you provided the document to Senator D'Amato, I believe, or my office, but that was December 23rd, 1993. Why was it not released when he wanted to release it?

MR. ALTMAN: Well, senator, my recollection is that it was released rather promptly. Maybe not the day after he submitted it, but as a federal employee -- consultant, the materials properly would be -- were reviewed by his superiors before being released. But I think the point is they were released in short order.

SEN. DOMENICI: Well, did the RTC or the oversight board alter, edit, or sanitize this document before releasing it? And let me say if not, why did Dietra Ford, oversight board executive director, send a memo -- and I have that -- dated November 30th to you about these materials which included the following sentence: "I'm forwarding the enclosed so that you can see the original materials and fully understand the disaster we narrowly avoided." Those last -- that last sentence is a quote. What was the disaster that Mrs. Ford was referring to? Was this a reference to Madison? If it wasn't, fine. If it was, I think maybe we ought to know about it.

MR. ALTMAN: Senator, you should ask Mrs. Ford that question.

SEN. KERRY (?): You may not like the answer, but --

SEN. DOMENICI: Well, I just got this letter, and it deserves an answer. If it's not what I want, that's fine. That's what we're here for.

MS. FORD: We received the 200-page document the morning of his press conference, and we had only a quick time to take a look at it at the Oversight Board. The deputy general counsel of the Oversight Board and I advised --

SEN. : Pull the microphone up.

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MS. FORD: We advised Mr. Tate that the material should be reviewed by the Oversight Board staff, myself, as well as the interim CEO, Mr. Altman, before they are released to the public and that he was a federal -- special federal government employment and, therefore, he was subject to the rules that apply in terms of ethics, the Office of Government Ethics, that applied to the release of documents which he obtained during his tenure as a federal government employee.

SEN. DOMENICI: Well, what's what your letter says.

MS. FORD: That's right.

SEN. DOMENICI: But what was the "disaster that we narrowly avoided"?

MS. FORD: It was my interpretation that, to release those documents before anyone in the Oversight Board staff, the attorneys involved, or -- who advise us, have a chance to look at them, was inappropriate. And that's my choice of words -- "disaster." I think it's inappropriate to release documents before we know what they contain.

SEN. DOMENICI: I thank you.

Let me quickly move to a couple of other ones if I might. Mr. Altman, I think you told Senator Bond that you would not make available any documents that, quote, "would have a negative impact on the legislation," closed quote.

MR. ALTMAN: No, I don't think so.

SEN. DOMENICI: No?

MR. ALTMAN: I said -- I think I said that we would try not to release any documents that would have a prejudicial effect on the investigation.

SEN. DOMENICI: Well, this committee held hearings on the failure of the Bank of New England in the context of an unsuccessful confirmation hearing on Bob Clarke. This committee explored in detail transactions related to that bank. Voluminous documents were made available. Maybe this is distinguishable, but it seems to me that the same question could be asked here. Why can't you release all of these documents for this kind of hearing?

MR. ALTMAN: Senator, we have had -- or I am advised we have had a couple of conversations with Mr. Fiske, the independent counsel. He has asked us not to release any documents that could jeopardize his investigation. I don't know why you would want us to do that, to jeopardize his investigation. We certainly don't want to.

SEN. DOMENICI: I don't want you to.

MR. ALTMAN: And we're respecting his request.

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SEN. DOMENICI: But if the special prosecutor has no objection to the committee being provided copies of documents, can the committee then count on the RTC's full cooperation in providing them.

MR. ALTMAN: You should direct that question to Mr. Fiske.

SEN. DOMENICI: No? If he has no objection, then can we count on you to release them?

MR. ALTMAN: I think the answer is yes.

SEN. DOMENICI: Does the RTC have an inspector general?

MR. ALTMAN: Yes, sir.

SEN. DOMENICI: Has the inspector general investigated the conflict-of-interest allegations regarding the Rose firm?

MR. ALTMAN: I don't know the answer to that. I'm nearly certain it's no because, as you know, it wasn't the RTC that ever had any retainer relationship or other relationship with the Rose firm.

SEN. DOMENICI: But you're kind of the natural successor to what went on there, and I believe -- I think when you took over you began some investigation of that. We'll show you that in a minute. But my question is, if the FDIC agreed to have its IG look into Madison, would there be any reason why you wouldn't?

MR. ALTMAN: I have no objection to the IG's looking into any matter that he sees fit to look into or that he's requested on an official basis to look into. That's what he's there for.

SEN. RIEGLE: Senator Domenici, I don't want to be arbitrary, but I do want to try to stay on the time clock if I can as we go back and forth, and we'll continue until everybody's had a chance to cover everything they want to cover today.

SEN. DOMENICI: Thank you very much, Mr. Chairman.

SEN. RIEGLE: Chairman Greenspan, I want to come back to the interest rate situation because we had an opportunity to talk the day that the Fed took its first step, after that was taken, and I'm concerned about the question of what has happened since and just your own expectations of what might happen, what has happened. You've made further public comments in a hearing recently. I'm just wondering, as you watch market reactions to the tightening move that the Fed made, are you seeing essentially what you expected or have you seen something that -- particularly in terms of the uptick on the long rates -- something that maybe you would not have expected? In other words, where are we now, and how do you read what seems to be taking place as a reaction to the Fed's policy adjustment?

MR. GREENSPAN: Mr. Chairman, as Senator Sarbanes indicated, my expectation was on the

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basis of what has historically tended to be the case, that the type of increase that we've had would initially lead to some small increase in long-term rates followed by some edging off. That's basically been the history, other things equal, and that's essentially what one endeavors to use so far as a forecast is concerned.

What occurred in the interim was, as I indicated to the subcommittee of the House the other day, is that there was a growing concern that after the torrid pace of economic growth in the fourth quarter, which is apparently in the process of being revised up, that the possibility that we would not be moving to a much more moderate rate of growth was rising, and the first evidence that that was affecting market perceptions was when the Philadelphia Federal Reserve Bank released its monthly survey, which showed a significant increase in prices paid by manufacturers for the month -- I suspect it's early February. The point at which that release was made, the long-term rates were very slightly above where they had been previous to the February 4th move. But what occurred following that was a general belief that the pace of economic activity may turn out to be somewhat stronger than most of the people in the market had anticipated.

And to repeat what I said at the House Banking Subcommittee, that change in view in the market's perception led to a significant backing up of long-term rates, which is what typically happens when those types of expectations change. As I said then, my impression of how one should interpret that Philadelphia report is more an indication of a pick-up in economic activity because commodity prices tend to be reasonably good proxies for new orders and indeed I think that's what essentially that particular report was showing. It is not a particularly good forecaster of inflation. And as I said at the House committee, we seem to be lacking the financial tinder that usually is associated with inflation accelerating when you get a significant pick-up in economic activity.

I'm agnostic at this stage. I think it's too soon to make a judgment, but we will learn a good deal more as the data begin to come forward.

SEN. RIEGLE: Well, but as I listened carefully to what you were saying, it seems to me when you say you don't see the inflationary tinder and that you're sort of an agnostic, I mean, I gather you're saying you don't see, yet, a broad evidence of a build-up of inflationary pressure that really worries you. I mean, I -- or is that not a -- I mean, put it in your words, but I'm just --

MR. GREENSPAN: No, that is substantially correct. Look, the reason that we moved on February the 4th, and the reason I said we may have to move again, rests on the issue of having deliberately put through a significant degree of accommodation in the money markets after 1989 because we perceived that there were special balance-sheet factors and other headwinds which required that we move the short-term interest rates below where they normally would reside. And when it became apparent that the adjustments that we thought would occur and in fact have been occurring in the balance sheets got to a point where the economy could start to regain its momentum and gain a degree of expansion which seemed to be well entrenched, at that point the need to have excessive accommodative policies no longer exists. The issue is not, do we see inflationary pressures emerging, BUT what is the reason

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why we would want to keep the level of accommodation at a point where history tells us, if extended indefinitely, eventually does engender inflationary pressures. So, it's the issue -- I would reverse the question, not do we see inflationary pressures, but what reason would we have, once the recovery seems well entrenched, as indeed I believe it is, would we wish to keep an excessively accommodative stance? That is not a statement which says we are setting inflationary pressures emerging; indeed, as I said in my prepared remarks to the House committee, when we actually see inflationary forces emerging in the way of price changes which are clearly evident, the one thing we're sure at that point is we are very far advanced in the process, and history tells us that that type of policy which we engaged in much too often, is wholly inappropriate to maintaining long-term economic stability.

SEN. RIEGLE: Well, let me just say to you I find that a very important clarification and point that you've just made. And I think it puts this in a somewhat different light than some of the commentary, I think, has given to it because what I hear you saying is is that you've -- you've had a monetary policy that has been overly accommodative in order to try to get sort of the engine going again and that you overcorrected in a sense --

MR. GREENSPAN: Deliberately.

SEN. RIEGLE: -- deliberately. And now that it has gotten the traction that it needs to have, as far as you can tell, you're taking back some of that overcorrection but not for reasons of the fact that you see this inflationary tinder building up here.

MR. GREENSPAN: Precisely. And, in fact, I've tried to make that point every time I've stated this, and I somehow don't seem to get it across as well as I think I would like to.

SEN. RIEGLE: Well, I think you got it across pretty well right now, and we've got a pretty good sized press table that I hope will have gotten it down even though it's 20 to two, which is sort of a late hour for us to all be meeting here -- (laughter). But I thank you for that. I think that's a very important distinction, and I think it's important for the economic system and the markets to understand what you've just said.
Senator D'Amato.

SEN. D'AMATO: Thank you, Mr. Chairman. Mr. Chairman, I have to say to Mr. Altman that I would like to go back to a question that Senator Gramm brought up and -- as it relates to any meetings with White House staff or counsel. Mr. Altman, I think you said that you and a -- an official from Treasury sought out Mr. Nussbaum. Is that -- is that correct?

MR. ALTMAN: Yes, I did.

SEN. D'AMATO: Could you tell us why? In other words, I have difficulty understanding why it is you felt compelled to seek out the White House counsel.

MR. ALTMAN: Solely to ensure --

SEN. D'AMATO: Solely to -- ?

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MR. ALTMAN: Solely to be sure that he understood the legal and procedural framework within which the RTC was working. And if you recall, as I said at that time, it was a February 28th date which was the subject of major attention in the Congress and in the press. It's not uncommon of meetings of that type to take place. And I'd describe it as a "heads up" and a very stiff conversation.

SEN. D'AMATO: A "heads up". In what connection would that heads up be? You mean that the statute of limitations was running?

MR. ALTMAN: No, that they should be aware of the internal processes and the types of criteria which the RTC was going to be following in order to reach a decision by February 28th.

SEN. D'AMATO: Was any representatives of the president or Mrs. Clinton or any legal counsel -- which I think would be appropriate -- speaking to the counsel for the RTC, or people handling this particular -- this particular matter? I mean, was there any legal representation going on? Was this -- you just called them? Did they have any representatives, any counsel who may have been meeting with staff people or talking to staff people?

MR. ALTMAN: I was accompanied by our general counsel, Treasury general counsel. Mr. Nussbaum had his assistant with him. And Mr. Ickes and Margaret Williams were both at the -- there at the time.

SEN. D'AMATO: Oh, Ickes is in it, huh?

Let me ask you this: Prior to this meeting, was there any representation -- was there any counsel that was being given representing the president's interest or Mrs. Clinton's interest or anyone else that you're aware of as it relates to the matter that you went to brief them on?

MR. ALTMAN: No, not to my knowledge. Nor were there any substantive conversations -- subsequent conversations.

SEN. D'AMATO: Did anyone request this meeting?

MR. ALTMAN: I requested the meeting.

SEN. D'AMATO: Was there any other meeting that may have been requested?

MR. ALTMAN: No.

SEN. D'AMATO: There was no other meeting that you are aware of that the White House counsel requested?

MR. ALTMAN: No.

SEN. D'AMATO: Or anyone else from the White House?

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MR. ALTMAN: No.

SEN. D'AMATO: Mr. Ickes?

MR. ALTMAN: I had no subsequent -- I received no subsequent requests for meetings.

SEN. D'AMATO: Well, what about private counsel? Did private counsel -- I find it hard to believe that there was no private counsel. Are you saying to me that there was not even private counsel that was meeting with staff lawyers at some level?

MR. ALTMAN: Not to my knowledge, Senator.

SEN. D'AMATO: Ma. Ford, do you know of any?

MS. FORD: No, I've had no involvement.

SEN. D'AMATO: Let me turn to the RTC report which was dated February 8th, which we received last evening about 9:00 -- Resolution Trust Corporation -- and say to you that, in reviewing this document, I think it goes a little further -- does a little better job than the one that came out of FDIC. I found it interesting that in its conclusion on page five and six, in its summary before it reaches its disposition, it says, A, Rose represented Madison prior to its failure; B -- and I am not reading the whole sentence -- Rose represented the FDIC/RTC subsequent to the failure of Madison; C, Rose did not disclose its representation of Madison before the Arkansas Securities Department to the FDIC or the RTC. Further, it did not report possible conflicts involving the brother-in-law and father-in-law of Webb Hubbell. And, by the way, I'm going to, Mr. Hove, read something to you that's quite illuminating. You better have your lawyers take a look at this. And when it gets all done doing that, it says, based on the factual conclusions in the RTC conflicts report -- it says we send it to counsel.

Now, I have to tell you that I am going to ask -- because you have no conclusion. It just says, "These are the facts; these are the facts, fellows. Now, you do with it what you want" and sends it to counsel -- general counsel. I'm going to ask that this report and any other relevant material that was gathered by those who were working on it be submitted to the inspector general. And as you've indicated before, you certainly wouldn't say, "I don't see any -- how that would impede anybody or anything." But I certainly would feel more comfortable that it goes to the inspector general as opposed to the general counsel. And I think it would guarantee the integrity of the review, certainly in this senator's mind and I think in others.

MR. ALTMAN: Fine.

SEN. D'AMATO: I thank you very much. I see that my time has expired. I have another observation to make, and I'll do that after -- at the appropriate time.

SEN. RIEGLE: Senator Kerry?

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SEN. KERRY: Well, let me ask my colleague, is that going to be the last -- I mean, or is there intention of colleagues to go a whole other round?

SEN. D'AMATO: I think some colleagues have some other questions, and they'll raise them whenever --

SEN. RIEGLE: I think maybe we're going to have one more go- around here with those that are left who want to do so. And then I think we're probably done here.

SEN. KERRY: It was my understanding that we were going to have another hearing here in 10 minutes, which I'm also supposed to participate in. I'm just curious what the plans of the chairman are. If my time could not -- I'm just --

SEN. RIEGLE: They have a different room that they're meeting in --

SEN. KERRY: All right. So that's --

SEN. RIEGLE: -- so that we won't run into a room conflict. But we are late in the day, and the witnesses have been here a long time. So my intention would be to finish up a round here where everybody gets another turn at bat.

SEN. KERRY: Well, maybe I could ask another -- just procedurally. I don't want to really use my time at this point. But it seems to me that maybe we could ask if anybody has any more questions to ask of the chairman of the Federal Reserve, because it seems not a great use of his time to sit here if all we're going to do is talk about another subject.

SEN. DOMENICI: I -- is my turn imminent here? Or do I have a long wait?

SEN. RIEGLE: Let me get my batting order here.

SEN. DOMENICI: Because I don't want to keep him a long time, but I wanted to --

SEN. RIEGLE: Actually, you follow Senator Bond, who will come after Senator Kerry. Then we'll come back to Senator Boxer. So actually there are --

SEN. : How long is your question? Maybe they would let you get that --

SEN. DOMENICI: I don't want -- I don't have a question of Mr. Greenspan. I just want to state for the record that, frankly, I believe the actions you took over the last three or four years have a great deal to do with the status of the American economy. I frankly believe you were subject to some undue criticism, but if we have a solid recovery, I think it's very significantly related to the conduct of the Federal Reserve over the last 3-1/2, four years.

Maybe President Bush would have liked it differently, maybe Dick Darman would have, maybe it all could have happened earlier, but nonetheless, I think you're somewhat responsible, so I trust you at least on what you're doing now.

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SEN. RIEGLE: That reminds me a little bit of watching some of that Olympic skating competition last night when they throw the bouquets out on the ice. You just threw a nice one to the chairman. Senator Kerry?

SEN. : You were critical of him. You wanted to loosen up even more.

SEN. RIEGLE: Well, the other day I think my comments were comments that reflected some understanding as to what the chairman's trying to do, and I think he's put additional light on that today. I don't think this chairman wants to strangle the economy. I'm speaking of Chairman Greenspan, and, you know, sometimes you can do that and not intend to. But I think he's trying to be as prudent as he can be. Senator Kerry?

MR. GREENSPAN: Excuse me. Mr. Chairman, is that -- (inaudible)?

SEN. RIEGLE: Are you excused? Can you take your bouquet and go? (Laughter.) Yes, you can. Senator Kerry?

SEN. BOXER: You get a 5.9 from me.

SEN. RIEGLE: Senator Boxer gave you a 5.9. (Laughter.)

SEN. BOXER: You skate so well (on the ice ?).

SEN. RIEGLE: Especially on the technical portion of the -- (laughter) -- of the program.

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x x x program.

SEN. : (Off mike.)

SEN. RIEGLE: Senator Kerry?

SEN. JOHN KERRY (D-MA): Mr. Chairman, I'm not sure I have time to stay through the whole process here, so I may review the bidding here a little bit. But just speaking as a former prosecutor, one of my colleagues over here was sort of questioning the duality. I can tell you, as a person who has presented evidence to grand juries and who has spent some time putting cases together, that there is nothing worse than having dual tracks, witness confusion, various statements appearing in public, multiple copies of documents moving around. I would be very surprised if Special Prosecutor Fiske decided to do it. It certainly wouldn't be a judgment that I made to make things public in the middle of an investigation because it inevitably taints somebody's something and it creates a very hard process for pursuing a track. What astonishes me here a little bit -- and I want to reiterate it -- I mean, we've got \$150 billion problem here which taxpayers are paying for. They're already angry enough about us wasting their time and duplicitous process. And here we are, frankly, with very important people in front of us having spent a morning not really examining where that \$150 billion went, not talking about it, but dealing instead with politics. And that's what this really comes down to, it's politics. It's totally unnecessary. In the context of the gentlemen who has been made a special prosecutor, a Republican appointed by a Democrat -- and let me just share with colleagues again quickly something about Mr. Fiske. This is an article from the New York Times right after he was appointed: "Robert Fiske's reputation for integrity and thoroughness is so entrenched that if he finds no wrongdoing during his investigation of the Whitewater affair, his findings could put rumors about Bill and Hillary Clinton's business dealings to rest. The choice is one that you simply can't argue with," said former Treasury Secretary Nicholas Brady, a close friend of former President George Bush and a college classmate of Mr. Fiske's more than 40 years ago. He's one of those guys who has always conducted himself with integrity." The article goes on to say that: "Mr. Fiske, a 63-year-old Wall Street lawyer, earned his reputation by being an aggressive prosecutor. If the Clintons have something to hide, he could pose a formidable problem. If he lives up to his billing, at the very least his investigation will disrupt the lives of the first family."

Now, if that's not enough, if we don't have the patience to allow him to do his job and sit here and ask relevant questions about \$150 billion, we ought to ask what we're doing. I mean, this is why the taxpayers get so fed up because all we do is dig into politics. And there's a huge distinction between this case and prior cases because we are not looking at a current situation where the president is currently making decisions about current money being spent or current policy. This is something that happened when he was governor -- if whatever happened happened -- and I suggest that this prosecutor has the ability to get at it. If he doesn't, I'll join with Senator D'Amato, I'll be one of the first people -- I think I have a good reputation here on the basis of BCCI and Noriega and other investigative efforts in pursuing things. But I think back to the time that I was trying to do that. I didn't have any help from the other side of the aisle. We did not get subpoena power. We did not have the

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ability to have a full-fledged investigation in this committee on that. And I sat here with Tim Wirth and we tried again and again to get an extension of the liability. We also tried to get a special prosecutor. Most of my colleagues making a lot of noise about this now opposed having a special prosecutor. So I just think fair is fair at some point in this business. We all understand the game and we all understand what happens. But it seems to me that to take a 150 billion dollar fiasco and relegate it to a second tier for this 194 state-run -- who was the primary regulator of this institution originally? MR. : The -- originally it was the Federal Savings and Loan Insurance Corporation, and then later OTS.

SEN. KERRY: So it came to the federal government secondarily. And, I might add, for two years this case was closed. It wasn't until six weeks before the election -- and we ought to ask some questions about this -- that suddenly, when Bill Clinton was the nominee for president of the United States, that there was a criminal referral to the RTC, not until six weeks before the election. For two years while my friends controlled the elements of regulation, nobody was asking the questions that are being asked here today. So I'm not saying questions shouldn't be asked. I am saying we absolutely ought to get to the bottom of whatever took place. We ought to understand all these institutions because it's a sorry chapter in American politics. But that's going to happen, the 25 FBI agents and depositions and documents being made available, and the taxpayers of this country do not need us jumping all over each other for political purposes, avoiding the real issues that they would like us to dig into. And I don't think much more needs to be said beyond that.

SEN. RIEGLE: Senator Bond?

MR. : Mr. Chairman, may I make a correction?

SEN. RIEGLE: Yes.

SEN. KERRY: I think Senator Kerry asked who was the primary regulator. The primary regulator was the state of Arkansas.

SEN. KERRY: Well, that was what I was getting at. The primary regulator was the state.

MR. : Exactly. And the primary federal regulator was FSLC and OTS.

SEN. KERRY: Correct. So the issue of federal nexus here in terms of decisionmaking is only by transfer, not by original jurisdiction. So what we're doing is secondary to the third tier.

SEN. RIEGLE: Senator Bond?

SEN. BOND: Mr. Chairman, for the benefit of my friend from Massachusetts, I am going to submit a chronology and some questions for the record to the RTC to answer. I recall it was Jerry Brown of California who first raised the question during the 1992 campaign, but we all will be able to benefit from these questions, which are along the lines that Senator Kerry raised. I also have a series of questions for the FDIC and for the RTC which follow up on these other questions, but in the time remaining I do want to pursue a couple of items. When

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we last talked, Mr. Altman, you said that normal procedure would be for the RTC to seek out and acquire records wherever they were. Now, if the RTC under your direction were requesting records from the first lady at the White House, a rather high-profile event, would it not be customary for them to advise you that they were requesting records in the possession of the first lady?

MR. ALTMAN: Senator, I don't get involved in any substantive aspects of any PLS case, particularly -- or including documents that they may seek. So they've never brought that to my attention since I've been in this job, and that goes right through today.

SEN. BOND: So you wouldn't expect them to tell you.

MR. ALTMAN: No, I wouldn't.

SEN. BOND: I find that remarkable. In a normal criminal referral case, the RTC creates and retains an inventory of pertinent documents used to make the case. As I understand it, at least one version of the inventory has been provided to some members of Congress. Could you furnish to this committee the latest, most up-to-date inventory and provide the hearing -- for the hearing record along with the previous versions? Would you make that available?

MR. ALTMAN: Last evening we supplied the -- 6,500 pages of information to Senator D'Amato's office, as we had some time earlier to Congressman Leach. SEN. BOND: And is that the entire inventory? Are those all the documents? You give now challenge to Federal Express and Overnight Postal Service to get the delivery of such a substantial stack of documents at the particular time, a new standard for delivery in package express.

MR. ALTMAN: Well, I have here a list of the documents.

SEN. BOND: Is that the latest version?

MR. ALTMAN: This is just a list of what the documents are. There's 6,500 in total pages. This is a list of the documents we provided.

SEN. BOND: If you could make one available for the record, we would like to have that. I'd appreciate it.

MR. ALTMAN: Be delighted.

SEN. BOND: Next, when did you become aware of the RTC recommendations that further criminal prosecution be taken against Madison?

MR. ALTMAN: Last fall I was advised that the question of a referral to the Justice Department was under consideration at the RTC, and as other members of the RTC staff will attest, I said that normal procedures, with no deviation whatsoever, should be pursued, including chain of command procedures, in terms of reaching that conclusion.

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I might tell you that typically decisions like that are made at the regional office level, and that it was in this case.

SEN. BOND: Were you aware that the regional office had asked the national office to make a determination as to whether the Clintons' name should be in the new expanded referral?

MR. ALTMAN: No.

SEN. BOND: You did not know they were asking for the national office to make a determination on that?

MR. ALTMAN: No. I was simply informed that this issue was on the table, and my reaction was -- I had only one conversation about it -- that normal procedure should be followed. That's the way we're going to handle this thing from beginning to end.

SEN. BOND: How was the White House notified of the referral? Was it from your agency?

MR. ALTMAN: They were not notified by the RTC, to the best of my knowledge.

SEN. BOND: Nobody in your agency, to your knowledge, advised the White House staff that this was going to be a major -- this could be a major source of concern?

MR. ALTMAN: Not to my knowledge.

(Confers off mike.)

Ms. Ford, do you know if the White House was notified by the RTC?

MS. FORD: No, we have had no involvement at the Oversight Board whatsoever.

SEN. BOND: When was the firm of Madison & Pillsbury put on retainer by the RTC, do you know? And for how long and what cost?

MR. ALTMAN: I don't know that. I'm aware that that firm has been retained as outside counsel on this matter, but I'm not aware of the date on which it was retained nor the retainer arrangements.

SEN. BOND: Will they review the potential of suing the various law firms who represented Madison or the board of directors?

MR. ALTMAN: I don't know the answer to that question.

SEN. BOND: We'd appreciate knowing that, if you could, later. And if there are other outside counsel or consultants hired in conjunction with the case, we would like to know that. And finally, I'm advised that the list you have there is just an inventory of the documents provided to Senator D'Amato; it is not the complete inventory of the documents pertaining to Madison. And if I'm mistaken, in either event, we would appreciate receiving a copy of the inventory of the entire documents.

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MR. ALTMAN: Well, Senator, I'm not sure I fully understand your question. But what we have released amounts to what we've been asked for, less any documents that, in our judgment, could prejudice the investigation. I told you earlier that we'd had a couple of conversations -- I haven't had them; I'm advised there were a couple of conversations with Mr. Fiske, with each side asking the other not to release information or take any other steps which would prejudice either side's investigation, and we're trying to adhere to that.

SEN. BOND: As I understand it, that you have prepared an inventory. I'm not asking for the documents themselves, but I understand that you had prepared an inventory and had furnished perhaps members of the House side, or others, with the inventory, not the contents of the documents.

MR. ALTMAN: Any information, I assure you, that we have supplied to Congressman Leach or anyone else -- elsewhere in the Congress, we're delighted to supply to you or anyone else here that would like them.

SEN. BOND: Would that include an inventory, a cataloging, not the contents but a cataloging of the documents in the Madison case?

MR. ALTMAN: We will supply you with any information to that extent that we can which does not get into areas that we think would prejudice the investigation. SEN. BOND: Thank you, Mr. Chairman.

SEN. RIEGLE: Senator Boxer?

SEN. BOXER: Mr. Chairman, I'd like to -- I'm still working.

SEN. RIEGLE: All right. Senator Domenici, you're next in the order.

SEN. DOMENICI: Mr. Altman, you spoke a while ago of your one contact with the White House regarding this, and you and your counsel went up to talk to the White House counsel.

MR. ALTMAN: Yeah, one substantive contact.

SEN. DOMENICI: Please?

MR. ALTMAN: One substantive or meaningful contact.

SEN. DOMENICI: Yeah. Well, I assume -- we're not arguing there that you had -- you're not suggesting you had more than one, are you?

MR. ALTMAN: No. I'm just saying that if you -- you know, you run into someone in the hall -- did you see that thing in the paper this morning? -- I'm not including that.

SEN. DOMENICI: All right. You said you were there to give a heads-up. What I understand the situation to be on average folks, a couple of them in my state that were bordering up

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alongside of a statute of limitations becoming a defense, they were presented with a tolling agreement, and if they didn't sign it, suit was filed so as to toll the statute. Is that a rather fair assessment of the way business is done?

MR. ALTMAN: I think I'd have to know the details of the matter, Senator.

SEN. DOMENICI: Well, I guess what I'm wondering, are we getting the right perspective of why you did this? Did you go there because you wanted them to know that clearly they might be asked to sign a tolling agreement, or to know that the normal process was that the toll -- the statute's going to toll, and there's reasonable grounds to suspect something, they might expect a lawsuit? Or why else would you give them heads-up?

MR. ALTMAN: The difference between this and a matter like the one you referred to is that I had been receiving -- had begun to receive a lot of inquiries, including in writing from Congress, as to what procedures the RTC was going to follow, and I wanted to give them the same sense of those procedures that I was giving members of Congress. And I said to them nothing different than I've said to members of Congress.

SEN. DOMENICI: Well, I understand that, but I guess what I'm getting at is there must have been a reason for telling them that. Congress was just saying the statute's going to run, what are you going to do, so you went over there to tell them that we're going to apply the same thing we do in any other case? And that's the heads-up that you were giving them?

MR. ALTMAN: That's right.

SEN. DOMENICI: Was it serious enough that you wanted them to know because there might be something that they would be confronted with that was untoward as you applied your rules, like asking for a tolling agreement or filing a lawsuit? MR. ALTMAN: Again, the essence of what we said was that the statute of limitations which then applied was scheduled to expire on February 28, 1994; that the RTC was going to make every effort to make a decision by that date. It could fundamentally reach only one of two decisions, that there was a basis for a claim or that there wasn't. If there was a basis for a claim then we would either seek a tolling agreement to permit more discovery and more preparation or we would file that claim in court.

SEN. DOMENICI: Well the passage of the statute of limitations extension eliminates that problem as you have already indicated.

I guess, Mr. Chairman, I'm having a little difficulty with explanation because one way of looking at it was that it was not a very meaningful or important meeting -- that he was just doing this so that he would be able to tell Congress he had told them he's going to treat them the same way as others. I don't think a man -- you know, I know you fairly well -- I don't think you would be going over there to just be able to send this letter to Senator D'Amato that says I have told the White House that they're going to be treated the same way as other people --

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MR. ALTMAN: Senator, I did not know whether they knew of such procedures which as I say I was then communicating to members of Congress and it just seemed to me a little odd to explain to a member of Congress that we're going to follow "XYZ" procedures and not have them ever be made aware of what those were.

SEN. DOMENICI: Well, I want to close on this remarks by thanking you, Mr. Chairman, for holding these hearings. I hope the public understands the Republican response to Senator Kerry, you know, it's almost an insult to accuse us of not being concerned about oversight and that some how or another the other side is more interested in how the RTC turned out. Frankly, that's just borders on being a joke. This hearing, we have all your statements, we're going to read them. So we're going to know what you were going to say. If you sent it to us yesterday, our staff has probably read it already and they'll brief us so we're going to know. My last observation would be that it's inconceivable to me Mr. Altman that you would really be concerned that the people involved in the investigation, whomever they are, whether it be the people in Arkansas, whether it be confidants of the President, whomever, that they would not know that the statute of limitations was going to toll and that that presented a situation that you had to advise somebody on.

I just don't think anybody involved in this would not know that.

MR. ALTMAN: Senator, I also -- I would agree with you. I can't say for sure. I don't know what was in their minds. I doubt very much that they did not know about the statute of limitations.

SEN. DOMENICI: Right.

MR. ALTMAN: What I was saying was not that. What I was saying was I did not know if they knew and, frankly, my impression is, as a result of that meeting, they hadn't previously known what procedures the RTC would be following. By that I mean that you have to choose between -- you have to reach a conclusion as to whether there's a claim or there isn't, and then what you have to do if you reach the conclusion that there is.

SEN. DOMENICI: All right. Thank you very much.

SEN. RIEGLE: Thank you.
Senator Faircloth?

SEN. FAIRCLOTH: Thank you, Mr. Chairman. And I will echo Senator Domenici. You have done a superb job of conducting. And I'll be very brief. My questions are to Mr. Hove. Mr. Hove, we keep coming back -- you said the FSLIC issued this report, who has long been out of business, and did the investigation on Mrs. Clinton and her relationship.

MR. HOVE: No, sir, I didn't say FSLIC. I said that the agency that handled the closing of First American was FSLIC, and that occurred before FDIC had any involvement in that.

SEN. FAIRCLOTH: All right. But who did the investigation -- I assume there was one done

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-- to determine that Mrs. Clinton had no involvement whatsoever that was worthy of looking at?

MR. HOVE: We did not do an investigation, we did not do a review because we don't have all the records. The records are the old FSLIC records that are not in one central repository. All we did was review the records that we had available at the FDIC, and the records that we had at the FDIC only indicated that Mrs. Clinton's involvement, from the records that we could review, was the two hours that she spent filing the amended complaint for her partner, Vince Foster.

SEN. FAIRCLOTH: So, what you're saying really is that you did a very incomplete and surface investigation.

MR. HOVE: We did not -- we simply looked at the records that we had, and we did not make an investigation any further than the records that we had available to us at the FDIC.

SEN. FAIRCLOTH: Well, I would say that Mr. Whitney (sp) issuing such a clearance for Mrs. Clinton in the name of the FDIC doesn't lend a lot of credibility to an FDIC investigation when he makes his statements and when you didn't really have the records to make an investigation, from what you're telling me.

MR. HOVE: What we were doing was correcting the information that was erroneous in the Chicago Tribune report because the Chicago Tribune said that it was an FDIC case, we said it was not an FDIC case. And we also said that from our records, this was the only involvement that we could have.

SEN. FAIRCLOTH: Well, don't you think it would be a good idea to hunt up the old FSLIC records and see what they might lead you farther? But I have a question, and then I'm going to -- (inaudible word).

The original suit was \$3.3 million. They settled it for 6 cents on the dollar, or \$200,000. What I want to know is how much was Mrs. Clinton paid, or the Rose law firm.

MR. HOVE: I can't tell you. I don't know that.

SEN. FAIRCLOTH: Can you find out?

MR. HOVE: We can try.

SEN. FAIRCLOTH: Well, I would like for you to let me know as quickly as possible how much the Rose law firm was paid, and also their work records to indicate who did the work to earn the money, because -- you say she worked two hours.

MR. HOVE: I didn't say that. I said the only thing that we can ascertain from the records we have was that she worked two hours. And let me remind you, Senator, that these records are disbursed from wherever FSLIC had the records, and we did not take possession of those

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records when FSLIC was closed down.

SEN. FAIRCLOTH: Are those records still available?

MR. HOVE: I don't know.

SEN. FAIRCLOTH: If she settled the lawsuit, the amount of hours she worked -- it is just impossible for me to believe she settled this lawsuit against Lassiter (sp), she signed the amended return, which was the settlement, the amended complaint, which was the settlement against Lassister, at a very favorable rate, then we turn around and find that Lassiter's -- the person with his power of attorney is back in the White House working.

MR. HOVE: Senator, the amended complaint reduced the complaint from 3.3 million to 1.3 million. The suit -- the settlement was some six months later. I don't know whether Mrs. Clinton had any involvement after that period of time in which she amended the complaint from 3.3 [million] down to 1.3 [million].

SEN. FAIRCLOTH: So we have no idea whether Mrs. Clinton made the final settlement totally.

MR. HOVE: I have no idea from our records and what we've seen --

SEN. FAIRCLOTH: And this two-hour thing -- she could have worked 200 hours.

MR. HOVE: What I have told you is what we have available at the FDIC.

SEN. FAIRCLOTH: But she could have worked 200 hours on it.

MR. HOVE: And all I'm telling you is that the records that we have indicate she worked two hours.

(Confers off microphone.)

Okay, the only records we have was that she billed FSLIC for only those two hours.

SEN. FAIRCLOTH: Billed who?

MR. HOVE: FSLIC. (Pronounces each letter.)

SEN. FAIRCLOTH: How about getting the total records from FSLIC and finding out how much the total bill was and whose time was billed? I'd like to see it. Thank you.

SEN. RIEGLE: Senator D'Amato?

SEN. D'AMATO: You know, Mr. Hove, I have difficulty if you really have trouble figuring out when a claim is initially lodged for \$3 million and then it is reduced and you say, well, you know, the law firm or this partner -- in this case, Mrs. Clinton -- only billed for two hours. But the nature of the work was such as to reduce that lawsuit and the potential

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liability to Mr. Lassiter (sp), who has a definite relationship with the Clintons. I mean, are we really to believe you don't understand that? Now, don't give me this two-hour stuff. I mean, the fact is that that claim was reduced -- the potential of the claim -- from 3 million down to a 1 million some odd, and therefore, a settlement of \$200,000 is much more reasonable in appearance when the initial -- when the suit is only asking for a 1.3 million as opposed to 3 million. Now, doesn't that make some -- I mean, do you see why a senator or anyone else would make an inquiry and say, "Look" -- I mean, what's the situation here? Are you telling us there was no conflict there.

MR. HOVE: But, Senator, you're asking FDIC, and FDIC did not have any involvement in that suit at that time.

SEN. D'AMATO: I'm not suggesting that. What I'm suggesting to you is that a period of time it came under you for review.

And if you look at this -- don't keep telling us that FDIC didn't have anything at that time. We're not suggesting that you did anything wrong. We're suggesting you take a look at the facts, take a look at the record, and you can be a school boy, you can't come to an inescapable conclusion that someone was retained to bring the lawsuit that had a relationship with the person that they brought a suit to. And as a matter of fact, whether it was two hours or one hour, the determination was made to reduce the claim that might bring the potential liability from \$3 million down to \$1 million and eventually settle for \$200,000. Now, we don't know who was responsible for the settlement. But the fact of the matter is that the partner who reduced and amended that complaint was Mrs. Clinton. Now that's obvious. I'm not going to spend my time going back and forth with you. I'm going to tell you something else, though. When we talked about the potential for conflict before, as it related to the Madison Guaranty and Mr. Hubbell, I want to refer you to a letter of June 8th, 1989. Now, Mr. Hove, you stated that since the Rose law firm -- when I first brought this up to you -- was suing Frost, it wasn't relevant that Web Hubbell's brother-in-law and father-in-law were suing Madison. Now, if you take a look at that letter -- and I'm going to suggest to you that you're wrong, and that's why you'd better have the IG look at this. June 8th, 1989, and it is written to April Breslaw (sp), Attorney, Federal Deposit Insurance Corporation. I'm reading part of it:

"Mr. Hubbell is the son-in-law of Seth Ward, a Madison insider who was able to obtain a judgment against Madison of approximately \$447,000." Now, I'm going to skip the next sentence, go down to --

"Since the conservatorship, the case has been removed and later remanded back to the State Court of Appeals. After appeal, a new trial will be sought, whether in state or federal court. At a minimum" -- it goes on to say -- "the state judgment will be attacked under various special FDIC defenses on its general inappropriateness. Miss Styrhorn (ph) has informed me that the informal -- the information contained in the audit files could be damaging to our case, especially if a new trial is granted."

It goes on and it concludes: "I offer this information because there appears to be a conflict in

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representation and a question of loyalties. Mr. Hubbell may or may not be able to compromise our interest in the Seth Ward matter." Now, look, I'm not suggesting that at that time that you know of it. Here it is. And that's why, if you don't refer something to the IG to clarify whether or not there was a conflict, you can't be doing the right thing. And for you to maintain, "Well, we weren't there at the time; it was at FSLIC" or "Maybe the rules were a little vague." I mean, for god sakes, you had lowly auditors saying, "Wake up, fellas." You had an auditor in another letter saying it's impossible to think that he's not going to tell his in-laws what's going on. So that's the kind of thing that brings about maybe the stamping that one of my colleagues alluded to.

Mr. Chairman, notwithstanding first of all I'm going to ask that we be permitted to submit some documents for the record that have been returned to --

SEN. RIEGLE: Without objection, so ordered.

SEN. D'AMATO: -- so we can keep an orderly proceeding.

Secondly, I want to say before I conclude that you could not have been fairer in making available this opportunity and according the members the opportunity to make their presentations and to ask their questions under very difficult circumstances. So I want you to know that. And I think that I speak for all the Republicans on the committee in relationship to the manner in which you have conducted this proceeding. And it's not easy for you, and I just want to commend you for your impartiality.

And let me conclude again. I think what we're interested in, in this, is seeing -- and Senator Domenici said -- that the process moves forward without there being interference, without there being a question as to what documents have been made available to the appropriate people, what has been taken. Some of these things have no -- I see Mr. Altman. He's placed in a very, very difficult position. I've said that publicly as well. It is a very, very difficult situation. And it certainly -- it leads to us raising the kinds of questions that we have. But I tell you this senator wants to see that what was supposed to be done was done, that what should be done at the present level is carried out in a manner in which everyone can say that the right thing was done. And then let the chips fall where they may.

So, Mr. Chairman, again, thank you for providing us an opportunity to put forth our concerns, and hopefully, this will move us a step closer to resolving this matter. Thank you. SEN.

RIEGLE: Thank you very much. We'll give you some questions for the record, and we'd ask you to respond to them. The committee stands in recess.

END

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REDACTED

**THE WHITE HOUSE
WASHINGTON**

X001260

February 28, 1994

MEMORANDUM FOR FILE

**FROM: JOHN D. PODESTA
 ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY

 W. NEIL EGGLESTON
 ASSOCIATE COUNSEL TO THE PRESIDENT**

**RE: WHITEWATER--SENATE BANKING COMMITTEE HEARING AND
 OTHER RECENT ACTIVITY**

REDACTED

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REDACTED**4. Senator Gramm.**

Senator Gramm was initially pretty mild, merely urging the President to make all information public so that the country could move on to other issues.

It was during Mr. Gramm's questioning that Mr. Altman testified about his meeting at the White House approximately three weeks before the hearing. Mr. Altman stated that the meeting was procedural only, relating to the statute of limitations issue. Mr. Altman stated that he had requested the meeting because he had been answering questions from members of Congress about the procedural issues, and thought it only appropriate to provide the same information to the White House.

REDACTED

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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS

WASHINGTON, DC 20510-0078

January 25, 1994

Mr. Roger Altman
 President Interim and
 Chief Executive Officer
 Resolution Trust Corporation
 801 17th Street N.W.
 Washington, D.C. 20434

Dear Mr. Altman:

I am writing to you in connection with the letters of January 11 1994, to Attorney General Janet Reno and yourself, expressing the grave concern that I and a number of my colleagues have regarding the expiration of the applicable statutes of limitations with respect to possible wrongdoing at Madison Guaranty Savings and Loan ("Madison"). We urged that voluntary agreements tolling the statute of limitations be sought with all the relevant parties. That letter addressed the urgent need for immediate action with respect to any violations that may have occurred, since the applicable statute of limitations may expire as soon as March, 1994.

More than two weeks have passed since we raised this vital issue. In his public comments, Special Counsel Fiske has already demonstrated his recognition of, and sensitivity to, the applicable criminal statutes limitations.

I have yet to be apprised of what action, if any, the RTC has taken to ensure that the applicable civil statute will not expire. The American people have the right to know if any wrongdoing took place in connection with Madison. It is equally important that the rights of the American people to obtain a full accounting against wrongdoers be preserved.

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U.S. LEGIS. AFFS.
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The RTC should do all in its power to protect the American taxpayer by making a definitive interpretation of precisely when the civil statute of limitation will expire, and then take action to voluntarily seek agreements from potential parties to RTC-initiated legal actions. Should the statute of limitations run, any findings that the RTC makes will be meaningless--there will be no hearing and the American people will be left without complete redress.

Members of the Banking Committee staff have discussed the need for meaningful action with representatives of the RTC. My staff was informed that the RTC had not yet made a final analysis with respect to the expiration of the statute of limitation. They were also informed that no response was immediately available, more than two weeks after this issue was raised--this is inconceivable and unacceptable.

In light of the RTC's failure to respond to these concerns for over two weeks, I am compelled to write again to ascertain what action the RTC has taken, so that I may consider alternate avenues that I can pursue in order to protect the interest of the American people with respect to this matter. I can see no reason for further delay on your part. Please provide me with your conclusions as to the application of the relevant statute of limitations with respect to the Madison situation immediately.

Sincerely,



Alfonse M. D'Amato
Ranking Republican
Senate Banking Committee

AMD:dn

X001266

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 ONE HUNDRED THIRD CONGRESS
 2125 RAYBURN HOUSE OFFICE BUILDING
 WASHINGTON, DC 20515-6060

February 3, 1994

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 (202) 225-4347

Mr. Roger C. Altman
 Interim CEO
 Resolution Trust Corporation
 801 17th Street, NW
 Washington, DC 20434

Dear Mr. Altman:

I am in receipt of your February 1, 1994 response to the letter initiated by Senate Republican leadership concerning Madison Savings and Loan and I am pleased to learn that the RTC "will vigorously pursue all appropriate remedies" with regard to Madison's failure. It seems self-apparent that in order for the RTC to pursue vigorously all remedies it must have all relevant information at its disposal. Accordingly, I urge the RTC to seek and review all Whitewater Development Corporation documents turned over by the White House to the Justice Department. ✓

In its investigation of Madison, the Minority has uncovered links between Madison and Whitewater, some of which may have contributed to the thrift's failure. Not only did James and Susan McDougal hold significant ownership interest in both entities (approximately two thirds in Madison and one half in Whitewater), but the other joint owners of Whitewater (Bill and Hillary Clinton) appear to have benefited directly and indirectly from the application of Madison resources. [See the attached memo.]

If the White House chooses to use the Justice Department to shield Whitewater documents not only from the public and Congress, but from other government agencies, such as the RTC, which have legitimate public law enforcement responsibilities, it is hard to believe a responsible resolution of the issues involved can be made by regulatory authorities. ✓

I have high regard for your personal integrity, but as you know, from the beginning, it has been an awkward situation to have a presidentially appointed and confirmed officer of the Treasury Department also head an independent federal agency, the Resolution Trust Corporation (RTC). When this prospect was first suggested at the beginning of the Clinton Administration, it did

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Mr. Roger C. Altman
Page 2
February 3, 1994

not strike the Minority as overly unreasonable for a month or two given the fact that no RTC head had been selected.

However, it has been over a year since the Administration has been in office and it can only be described as structurally unseemly for a political appointee of an Executive branch department to make what are in effect, law enforcement decisions for an independent federal agency as they may touch upon the President.

Accordingly, I would urge that you request from the Department of Treasury's General Counsel and Ethics Office advice as to whether you, as interim CEO of the RTC, are obligated to recuse yourself from any decisions concerning the resolution of Madison Guaranty. Just as the special counsel law was designed to relieve the Attorney General from an ethical dilemma of being both chief law enforcement officer for the nation and chief legal advisor to the President in circumstances when the President or a high level Administration officer is the subject of investigation, so it would appear ethically questionable for a political appointee of the Department of Treasury to make decisions for an independent federal agency when the President may be implicated in enforcement and civil actions.

In this regard, it should be clear that the issue is not whether a presidentially appointed official can oversee an investigation involving the President. Rather the issue is that officials with this responsibility should be confirmed for the job with that particular accountability. As you will recall it was a political appointee confirmed by the Senate that issued a cease and desist order for engaging in conflicts of interest against the son of a former President.

As you know, despite your strong letter to the Chairman of the House Banking Committee recommending against extension, Congress last year extended the statute of limitations for civil lawsuits brought against S&L wrongdoers. As you pointed out in your most recent letter, this extension "has afforded the RTC an opportunity to investigate further any civil claims which may be asserted against individuals or entities associated with Madison Guaranty for fraud, intentional misconduct resulting in unjust enrichment, or intentional misconduct resulting in substantial loss to the institution." Given, however, the impending running of the statute of limitations for certain kinds of actions, time is clearly of the essence for the RTC to make judgments about civil accountability in the failure of Madison.

Finally, I would like to reiterate my request, pursuant to Rules X and XI of the House Rules for all documents related to Madison Guaranty Savings and Loan, Little Rock, Arkansas. As you know,

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Mr. Roger C. Altman
Page 3
February 3, 1994


on December 9, 1993, I wrote the RTC requesting access to all documents related to Madison Guaranty and its subsidiaries.

House and Committee Rules, House practices, and judicial precedent support the proposition that the Ranking Minority Member is the functional counterpart to the Chairman for Committee action. This being the case, a request for documents made by the Ranking Minority Member has parallel standing with a request made by the Chairman of the Committee. The Ranking Minority Member clearly has a voice in the process and is entitled to information that will enable the Ranking Minority Member to carry out his constitutionally mandated oversight responsibilities.

Therefore, the courtesy of a definitive reply to this document request is requested by 12 noon, Monday, February 7, 1994. On this matter, it is urged that you also consult with the Ethics Office as to the relevance of the previously discussed recusal issue.

Again, let me stress that to the degree a conflict situation may exist in this matter in no way reflects on your personal integrity. It is simply an awkward circumstance in contrast to a personal embarrassment.

Sincerely,



JAMES A. LEACH
Ranking Member

JAL:gp

Enclosure

MEMORANDUM

TO: Congressman Leach
FROM: Banking Minority Staff
RE: Madison Guaranty ("Madison")

In reviewing documents related to Madison in the possession of Minority Banking, we have come across material which may indicate direct payment of a loan of Bill Clinton's by Madison through a subsidiary.

Since the Minority's investigation is concerned with the possible misuse of federally insured funds to assist Whitewater and/or the former Governor, we thought we should share the following information with you.

SUMMARY

Based on documentary evidence available to the Minority, it appears that Madison Marketing served, in at least one instance, as a conduit of funds from Madison Guaranty to Whitewater and Governor Clinton. If this is correct, it would appear that insured funds from the failed Madison Guaranty were diverted and directly benefitted the Governor and his investment in Whitewater, a claim Clinton had denied.

DOCUMENTATION

- In 1983, Bill Clinton obtained a loan from Security Bank of Paragould, Arkansas for approximately \$20,800 (loan #975-585, Bill Clinton). The money from this loan was used to pay off the remaining balance of a loan at Madison Bank and Trust of Kingston, Arkansas that was provided for the purpose of constructing a modular home on lot #13 at Whitewater Estates. The loan at Madison Bank was provided in 1980 to Hillary Clinton in the amount of \$30,000.
- On November 8, 1985, James McDougal sent a letter accompanied by a check to Charles Campbell, Vice President of Security Bank of Paragould, for \$7,322.42. The letter from McDougal states that the check is principal and interest payment on "Note #957-585, Bill Clinton." [Note: It appears that the loan number is a typographical error with the superimposing of numbers 5 and 7 in the first three digits.]

(2)

- The check McDougal enclosed with his letter to Mr. Campbell is a Whitewater Development Corporation check dated November 7, 1985. The loan number referenced on the memo portion of the check is "Note #975-585."
- According to the check ledgers for the Whitewater Development Corporation (WDC), the corporation's checking account had the following balances: \$189.50 on 10-10-85; and, \$12.49 on 10-31-85. However, in order to cover the payment of \$7,322.42 on the Clinton loan, a deposit is recorded on November 8, 1985 in the amount of \$7,500.00. The deposit is listed as coming from "Madison Marketing."
- A 1986 Federal Home Loan Bank Board exam gives the impression that Madison Marketing was largely a sham corporation used to divert federally insured resources to insiders. The exam notes that "Until 1986, Susan McDougal owned Madison Marketing." The report also states the following:

"Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,532,000."

"Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work ... appears to be performed by others. It would appear that Madison Guaranty could have an employee perform similar work for much less money."

"Mr. Lathan [an officer of Madison] stated that Madison Marketing made no payments to any stockholders. This statement is false. As part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal [a large stockholder of Madison] which total \$50,000. This was a test, and there may be additional payments."

CONCLUSION

Given the above circumstances, it would appear that federally insured deposits (i.e., funds from Madison Guaranty through Madison Marketing), which, with the later failure of Madison became, in effect, taxpayer obligations, were transferred for the direct personal benefit of the former Governor.

The above payment also raises the question of whether Whitewater

(3)

was treated as an affiliate or related interest of Madison Guaranty and therefore subject to conflict of interest statutes. From a legal perspective, it could be argued that the McDougals' controlling interest in Madison Guaranty and their substantial ownership interest in Whitewater could qualify Whitewater as an "affiliate" of Madison Guaranty. Even if Whitewater is not considered a subsidiary, related interest, or affiliate of Madison Guaranty, such an extension of funds to a presumably "unaffiliated" entity would be very unusual and suspect.

It has been publicly reported, with respect to this loan repayment, that both Whitewater and the Clintons took a tax deduction related to interest paid on the same loan -- which the Clintons later recognized as improper double deduction after an article ran in the New York Times. What remains unclear is the larger question of whether the funds provided by Madison to reduce the Clinton's liability were proper or properly reported as income for income tax purposes.

As you know, we have received broad hints from within the RTC that the agency has had under review money transfers from Madison to Whitewater. We will not know whether this type of activity was more pervasive and part of a larger pattern unless, and until, the agency provides us the documents we have requested. If Madison provided any direct or indirect assistance to Whitewater, presumably half the value of such would redound to the advantage of each of the half owners. In any regard, the above money transfer underscores that then Governor Clinton had personal liabilities reduced by a payment from Madison. Such payment presumably carries ethical as well as tax implications and is part and parcel of the \$47 to \$60 million estimated taxpayer loss at Madison.

Attachments

1375

X001272

Bank

P. O. BOX 670

PARAGOULD, ARKANSAS 72450

501-239-9571

September 30, 1983

Governor Bill Clinton
1800 Center
Little Rock, AR 72205

Dear Governor Clinton:

Enclosed is a copy of our check #12677 in the amount of \$20,800.00 representing the proceeds of your note. The original was mailed to: Madison Bank & Trust, Kingston, Arkansas.

Sincerely,

Charles D. Campbell

Charles D. Campbell
Vice President

CDC/lam



Security Bank

P. O. BOX 670
PARAGOULD, ARKANSAS 72450

PAY

Nº 12677

9-30

83

01-02-001

TO THE
ORDER OF: Madison Bank & Trust

2-18

\$ 20,800.00

NOT NEGOTIABLE

OR loan proceeds for Gov. Bill Clinton

0846008290

2725-8510

1376

X001273

JIM McDOUGAL

P. O. Box 1583
Little Rock, Arkansas 72203
November 8, 1985

*James
Camp*

Mr. Charles D. Campbell
Vice President
Security Bank
P. O. Box 670
Paragould, Arkansas 72450

Re: Note #957-585, Bill Clinton

Dear Mr. Campbell:

Enclosed is a White Water Development Corporation check for \$7,322.42, representing principal payment of \$5,000 and interest payment of \$2,322.42, on the above note.


Thank you for your attention to this matter.

Sincerely,

Jim Mc Dougall
Jim McDougal

JM/ss
Enc

X001274

| | | |
|--|-----------------------------------|--|
| WHITE WATER DEVELOPMENT CORPORATION, INC. 3708 CANTRELL, SUITE 202 LITTLE ROCK, ARKANSAS 72202 | | 000145 11-7-1985 00-7018/2041 |
| PAY TO THE ORDER OF | <i>Security Bank of Paragould</i> | <i>97,322.42</i> |
| <i>Seven thousand three hundred twenty two and 42/100</i> | | DOLLARS |
|  Medison Cemetery MEMORIAL - GRAVES - MONUMENTS | | |
| FOR <i>Lot # 925 - 555 Pine Grove</i> <i>Paragould, AR</i> | <i>James B. McDaniel</i> | |
| 000145 42841741920 2 306 515 | | |

Account
 notation on
 chd 5 - 1000
 from notation on
 refund letter -

This is the
white
water claim
leger
Drawn on Madison

| 000143 | | BAL DEBT FORT | |
|------------------------|---------|---------------------|----|
| 10-10 | 9-30-45 | 3 | 57 |
| | 9-30-45 | 4 | 37 |
| Thompson Yarn | | | |
| 10-10-45 | | 285 | 18 |
| FOR Yarn | | | |
| TOTAL | | 289 | 50 |
| AMOUNT THIS CHECK | | 180 | 00 |
| BALANCE | | 189 | 50 |
| 000144 | | | |
| 10-14-1945 | | | |
| TO Annie Henderson, | | | |
| Union County, Kentucky | | | |
| FOR 100.00 - 100.00 | | | |
| White water claim | | | |
| TOTAL | | | |
| AMOUNT THIS CHECK | | 177 | 60 |
| BALANCE | | 11 | 90 |
| 10-14-45 | | 12 | 49 |
| 000145 | | | |
| 11-7-1945 | | | |
| TO Security Bank of | | | |
| Lexington | | | |
| 11-7-45 | | 7500 | 00 |
| FOR Note # 475-545 | | | |
| Principal \$5,000.00 | | | |
| Interest \$2.42 | | | |
| TOTAL | | 7512 | 42 |
| AMOUNT THIS CHECK | | 7522 | 42 |
| BALANCE | | 196 | 07 |

X001276

FILED

IN THE CIRCUIT COURT OF FULTON COUNTY, GEORGIA
SECOND DIVISION

MAR 14 1991

INDIAN GUARANTY SAVINGS AND
LOAN ASSOCIATION, a State
Chartered Savings and Loan;
MADISON FINANCIAL CORPORATION,
a wholly owned subsidiary of
Indian Guaranty Savings and
Loan Association.

Plaintiffs.

Vs.

No. 90-1193

PROFESSIONAL ASSOCIATION, an Arkansas
Professional Association, and
its directors James Alford,
Michael Robinson, Gary Grey,
Gaines Horton, Tim Gibson,
Steve Humphries, Alan Duncan,
Frank Butts, Marjorie
Itzhovitz, John Dean A.
B. C. B.

Defendant.

FIRST AMENDED COMPLAINT

COMES NOW, Plaintiffs, and for cause of action states as
follows:

FACTS

1. Plaintiff Indian Guaranty Savings and Loan Association
(hereinafter, Indian Guaranty) is a state savings & loan
association duly chartered under the laws of the State of
Arkansas. Plaintiff Madison Financial Corporation (hereinafter,
Madison Financial) is a state chartered corporation and wholly
owned subsidiary of Indian Guaranty.

2. Defendant Pross & Company is a professional association
or partnership of public accountants with its principal place of
business in Little Rock, Arkansas, comprised of the following
individual partners who are not forth as Defendants in paragraph
3.

3. Defendants James Alford, Michael Robinson, Gary Grey,
Gaines Horton, Tim Gibson, Steve Humphries, Alan Duncan, Frank
Butts, Marjorie Itzhovitz, John Dean A. B. C. B. are directors or

X001277

7. John Latham at all relevant times was the President and Chief Executive Officer of Madison Guaranty and a member of its Board of Directors; and a member of the Board of Directors and the Secretary of NRC.

* 8. Susan McDougal was at all relevant times wife of James S. McDougal, member of the Board of Directors of Madison Guaranty, President of Madison Real Estate, a division of NRC, and President of Madison Marketing, a service provider to Madison Guaranty and NRC.

* 9. Madison Real Estate was a real estate brokerage operation owned and operated by Madison Financial with its principal broker Susan McDougal.

* 10. Madison Marketing was an advertising agency through which Madison Financial and Madison Guaranty purchased all of its advertising for itself and NRC's real estate developments.

11. Jim. David and Bill Henley ("Henley Brothers") were real estate agents and/or developers for Madison Real Estate, who sold property and received substantial commissions and/or development fees from Madison Financial.

12. Frost & Company purported to serve as independent auditor of Madison Guaranty and its consolidated subsidiary Madison Financial for the years 1984 and 1985.

13. James S. Alford at all relevant times was the audit and accounting partner of Frost & Company in charge of the Madison Guaranty audit.

14. Federal Home Loan Bank Board ("FHLBB") is the primary federal regulator of Madison Guaranty. FHLBB has oversight of the Federal Home Loan Bank of Dallas which has direct supervisory responsibility for Madison Guaranty.

IV

LEGAL AND AUDITING FRAMEWORK

15. This action arises from Frost & Company's breach of its duty and agreement to provide professional services in that (a) defendant Frost & Company violated Generally Accepted Auditing Standards ("GAAS") in connection with its audits of, and opinions

X001278

**FEDERAL HOME LOAN BANK BOARD
OFFICE OF EXAMINATIONS AND SUPERVISION**

Name and Address of Institution MADISON GUARANTY SAVINGS AND LOAN ASSOCIATION

1501 MAIN STREET, LITTLE ROCK, ARKANSAS 72203

District Number NINE Docket Number 7601

Examination as of (date) MARCH 4, 1986

Service Corporations and Other Affiliates Examined:

MADISON FINANCIAL CORPORATION

REPORT OF EXAMINATION

Prohibition of Disclosure or Release

X001279

This document is the property of the Federal Home Loan Bank Board and is furnished to the institution for its confidential use. Under no circumstances shall the institution, or any of its directors, officers, or employees, disclose or make this document or any portion of it public in any manner.

If a subpoena or other legal process is received calling for production of this document, the District Director - Examinations should be notified immediately. The attorney at whose instance the process was issued, and, if necessary, the court which issued the process, should be advised of the above prohibition, and referred to Part 505 of the General Regulations of the Federal Home Loan Bank Board.

Directors, in keeping with their responsibilities, should review this report thoroughly. This report should not be considered an audit report.

X001280

Docket No. 7601

... of the commissions paid by Madison Financial to Madison Real Estate, which significantly derives all of its business from Madison Financial.

Many of the sales, which generated these commissions, were to McDougal-Menley Group members who are acting as straw buyers. Madison Guaranty essentially retained the risks of ownership on these transactions because it fully financed these sales including the cash sales commissions. Thus, Madison Guaranty's position deteriorated because it retained the same ownership risks as before, but paid cash fees to these individuals. In addition, fees paid through Madison Real Estate were used as down payments in some of the straw land purchases in an apparent attempt to disguise 100% funding of the purchase by Madison Guaranty and its subsidiaries.

Messrs. McDougal and Latham cited an April 26, 1985 letter from a Federal Home Loan Bank of Dallas Supervisory Agent as permission to pay real estate sales commissions to Madison Real Estate. However, this letter in part, asks that the Board of Directors review Insurance Regulation 571.7 which is cited above in this comment.

2. Madison Marketing

Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,532,000. Until February 1986, Susan McDougal owned Madison Marketing. During a portion of this time, it was a corporation which was incorporated by Lisa Aunsbaugh, reportedly a close friend of Susan McDougal.

Mr. Latham stated that after February 1986, Madison Marketing became an entity "d/b/a (doing business as)" for Madison Financial and ceased to be a corporation. However, it is not registered as a "d/b/a" in the County records. Also, its checking account has never been recorded on the books of Madison Financial.

Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work of advertising, such as the design and production of commercials and providing air time or newspaper space, appears to be performed by others. Madison Marketing apparently just pays the bills of other providers and adds a 15% fee of its own. Examiners estimated this fee to be approximately \$200,000 since 1983. It would appear that Madison Guaranty could have an employee perform similar work for much less money.

Mr. Latham stated that Madison Marketing made no payments to any stockholders. This statement is false. As a part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal which total \$50,000. This was a test, and there may be additional payments.

3. Designer's Construction

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*claw
in on this*

Designer's Construction performs construction work on some of the land development projects and on some of the property securing Madison Guaranty loans. In 1985 and to date in 1986, \$247,000 was paid for work performed for Madison Guaranty and its subsidiaries. The amount of loan proceeds paid to Designer's Construction on work for third party borrowers is unknown. Designer's Construction appears to be a

436-264

X001282

S. 714 by RIEGLE (D-MI) -- Resolution Trust Corporation Completion Act (Pub. L. 103-204, approved 12/17/93)

05/13/93 -- SENATE Vote No. 1119: 63-32

(DEM: 47-6; REP: 16-26)

(Senate agreed to the Matsushita Amendment No. 356, to provide for a civil statute of limitations for tort actions brought by the RSC.)

-----Among 63 Members Who Voted 'YES'-----

| | | |
|-----------------------|------------------------|-------------------------|
| AKAKA (D-NH) | FRINGOLD (D-WI) | KETTERBAUM (D-OR) |
| BACUS (D-MT) | FRISTEIN (D-CA) | NIKULSKI (D-MD) |
| BIDEN (D-DE) | FORD, WENDELL (D-KY) | MITCHELL, GEORGE (D-MS) |
| BINGHAM (D-NM) | GLENN (D-OH) | MCKELLY-BRADY (D-IL) |
| BORN (D-OK) | GORTON (R-WA) | MOYNIHAN (D-NY) |
| BOKER (D-CA) | GRAHAM, BOB (D-FL) | MURRAY (D-WA) |
| BRADLEY (D-NJ) | GRASSLEY (R-IA) | NICKLES, DON (R-OK) |
| BREAUX (D-LA) | GREGG (R-NH) | NUN (D-GA) |
| BROWN (R-CO) | HARKIN (D-IA) | PELL (D-RI) |
| BRYAN, RICHARD (D-NV) | HATFIELD (R-OR) | REID (D-NV) |
| BURNS (R-WT) | HOLLINGS (D-SC) | RIEDE (D-MI) |
| BYRD, ROBERT (D-WV) | INOUE (D-HI) | ROHS (D-VA) |
| CHAFEE (R-RI) | JEFFORDS (R-VT) | ROTH, WILLIAM (R-DE) |
| COATS (R-IN) | KENNEDY, EDWARD (D-MA) | SARABIAN (D-MD) |
| COHEN (R-NE) | KERRY, JON (D-MA) | SASSER (D-TN) |
| CONRAD (D-MD) | KOHL (D-WI) | SHILBY (D-AL) |
| DASCHLE (D-SO) | LAUTENBERG (D-NJ) | SIMON (D-IL) |
| DECONCINI (D-AS) | LEAHY (D-VT) | SIMPSON (R-WY) |
| DORGAN (D-MD) | LIEBERMAN (D-CT) | SPECTER (R-PA) |
| EDDY (D-WE) | MATHEWS (D-TN) | WELLSTONE (D-MN) |
| FAIRCLOTH (R-WC) | MCCAIN (R-AS) | WOFFORD (D-PA) |

-----Among 32 Members Who Voted 'NO'-----

| | | |
|--------------------|--------------------------|------------------|
| BENNETT (R-UT) | D'AMATO (R-NY) | WACK (R-FL) |
| BOND (R-MO) | GRAN, PHIL (R-TX) | MCCONNELL (R-KY) |
| BURFERS (D-AR) | HATCH (R-UT) | MURKOWSKI (R-AK) |
| COCHRAN (R-MS) | HEFLIN (D-AL) | PACKWOOD (R-OR) |
| COVERDELL (R-GA) | HILMS (R-WC) | PRESSLER (R-SD) |
| CRAIG (R-ID) | JOHNSTON, BENNETT (D-LA) | PRIOR (D-AR) |
| DANFORTH (R-MO) | KASSIDBAUM (R-MS) | STEVENS (R-AK) |
| DOBB (D-CT) | KERPTHORNE (R-ID) | THURMOND (R-SC) |
| DOLE (R-KS) | KERRY, BOB (D-WE) | WALLOP (R-WY) |
| DOHNICK (R-MN) | LOTT (R-MS) | WARNER (R-VA) |
| DURENBERGER (R-MN) | LUGAR (R-IN) | |

-----Among 8 Members Who Were 'NOT VOTING'-----

| | | |
|-----------------|--------------------|-------------------------|
| CAMPBELL (D-CO) | LEVIN, CARL (D-MI) | SMITH, ROBERT C. (R-ME) |
| KRUEGER (D-TX) | ROCKEFELLER (D-WV) | |

X001283

1/28/54

CONSIDERATION OF PUBLIC AND REGULATORY POLICY

Mr. D'AMATO. Mr. President, today eight members of the Senate Banking Committee have sent a letter to Chairman Reagle, a letter which I am not only going to read, but ask it be printed in the Record.

I ask unanimous consent that that letter be printed in the Record.

Mr. D'AMATO. Mr. President, let me tell you why the eight Republicans on the Banking Committee took this extraordinary action.

We have on two previous occasions, January 11 and January 25, requested that the RTC -- that is the body responsible -- tell us when the statute of limitations expires on civil actions against Madison, and we have received nothing but shocking delays and still no official response to our request for information.

The first letter was dated January 11; the last one January 25. My staff has been in constant contact and, indeed, we were promised a response as recently as yesterday.

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3002

JDL2830 JDL/ty Mathews/D'Amato 3 p.m. 300

As of this afternoon, we still have no response from the RTC. We still have not learned when the statute of limitations runs out on Madison and Whitewater. What we have here is shocking inaction. Now we learn -- and we were told this only by telephone, and it was supposedly going to be confirmed by letter to us the day before yesterday, and then it was promised to us yesterday, and then it was promised to us today -- that the civil action could possibly expire as soon as February 28. It appears that little, if anything, is being done to protect the taxpayers and to punish the wrongdoers, or an attempt to bring about a recovery of moneys that were lost by the taxpayers.

During this critical period, valuable time has been lost,

X001286

and this must stop. Mr. President, the clock is ticking. The

statute of limitations is running out. And I have to suggest to

X001287

o/A

you that this is a coverup when the RTC deliberately refuses to tell us when the statute of limitations is running out.

Now, they have had this matter for a number of years.

There has been intense interest and scrutiny, and if their attorneys are doing anything, I cannot believe that they could not tell us within the last 2 weeks when the statute of limitations on civil liability runs out. And when they do that, justice is denied. Indeed, if it is February 28, we have a right to know. If it is March, we have a right to know. If it is August, we have a right to know. We also have a right to know what, if anything, is being done.

That brings me to the second part of my statement. We

wrote a letter to Chairman Riegle. Once before, we requested

X001288

that the Banking Committee conduct hearings. Now, since we have

made that request, I must point out special counsel has been

X001289

-3022-

appointed, but special counsel is going to look only into those areas as it relates to criminal matters, and therefore that civil action with the statute tolling is not a matter that special counsel is reviewing. If the RTC continues to conduct itself in the manner it has, what we are going to face is a situation where the statute of limitation has run out, there will be no tolling of the statute by way of agreements entered into and is done regularly where there is a question of possible lawsuits or violations. Therefore, the people are going to be denied the truth and taxpayers are going to be denied the ability to recover any moneys to which they might be entitled. It was that which prompted all of the members on the Republican

1398

side to join in this letter to Chairman Riegle.

X001290

Let me read it to you:

Dear Mr. Chairman: Notwithstanding the recent

X001291

3038 -

appointment of a special counsel to investigate potential criminal wrongdoing in connection with Madison Guaranty, a failed savings and loan, the constitutional responsibility of Congress to consider the serious questions of public and regulatory policy raised by this controversy remains.

Last December Senator D'Amato requested committee action with respect to this issue. In the intervening time, numerous questions that fall within our committee's legislative and oversight jurisdiction have gone unanswered. A review of the limited information that is publicly available indicates a variety of germane issues that command the committee's attention. We believe that the Banking Committee would be

derelict in its duty if it does not address important issues

such as:

X001292

Is the RTC continuing its investigations into Madison

3048 -

and what is the status of any such investigation?

Mr. President, that is a very simple, forthright request.

We do not get any answers from the RTC. Certainly the Congress of the United States has an obligation to ascertain this kind of information. The letter goes on:

How is it that the RTC was able to prepare criminal referrals as early as October 1992 but is unable to follow-up with a civil proceeding?

Mr. President, that is a rather shocking situation. Criminally, they have moved ahead, but as it relates to the civil action, they cannot even tell us when the statute of limitations runs out. They tell us on the telephone that it may

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be February 28. They tell us that they are going to answer in

writing but we have no answer. The letter goes on further:

X001294

Will the RTC complete any current investigations prior

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to the expiration of these statutes of limitations one month
from now?

Did the RTC act as quickly and effectively as possible
to ensure that the Madison bail-out cost the taxpayers as little
as possible?

Certainly that is well within the purview of the Congress
of the United States and the Banking Committee to ascertain.
Should we wait until the statute of limitations runs out and
then have a moot and academic question? Is that what this is
about? Is that not called a coverup? I suggest it is. Let me
go on.

Did the principal shareholders or officers of Madison

1399

direct Madison resources into any other business ventures in

which they were involved?

X001296

What caused the breakdown of the FDIC's procedures for

3068 -

detecting and addressing conflicts of interest when the Rose law firm was retained to sue Frost and Co.?

Why did the FDIC agree to settle its \$60 million case against Frost and Co. for \$1 million, an amount that is allegedly less than the limit of the firm's malpractice insurance coverage?

That cries out for an answer, and an answer now, not after the statute of limitations runs.

Mr. President, the clock is ticking. And there are those who, it appears to me, would like that clock to tick right on past and the American people be lulled to sleep and the Congress to be lulled to sleep.

1401

This Committee has a solid and proud record of
X001298

addressing concerns relating to the safety and soundness of

insured depository institutions. We believe the Committee has

X001299

3078

the duty to review thoroughly these and other relevant issues and to obtain information that will be useful as the Committee continues to consider new legislative initiatives and to improve the existing legislative framework to ensure the protection of depositors and taxpayers.

In light of this, pursuant to rule 26.3 of the Standing Rules of the Senate, we request that you convene a special meeting of the Senate Committee on Banking, Housing, and Urban Affairs to enable the full Committee to consider appropriate Committee action in connection with Madison. We believe the Committee must exercise its jurisdiction and examine the circumstances and events surrounding Madison's operations

1403

and failure.

X001300

The letter is signed by myself as ranking member, Senator
Gramm, Senator Mack, Senator Bennett, Senator Roth, Senator

X001301

3088

Bond, Senator Faircloth, and Senator Domenici.

Mr. President, let me conclude by saying that this matter is not going to go away. Let me say that the clock is ticking. Here we are, the end of January, and we are talking about possibly 28 days remaining to find out the answers to these perplexing problems. We understand why it is and how it is that some may be afraid to take up this question, but I have to tell you that we have a responsibility of seeking the truth. This Senator nor any of my colleagues who joined in this letter make no charges of wrongdoing, but I do suggest that the RTC has an obligation to be responsive not only to the Congress but to the people of the United States. To date, we are talking about

hundreds of billions of dollars that have been lost. Now we are

X001302

talking about a situation where an institution has been bilked

of millions and millions of dollars, and I say bilked because we

X001303

3.98-3168

find people who borrowed huge sums of money who paid back none.

We find corporations again involved in malpractice and raise real questions as to why it was that only a partial settlement would appear to have been obtained.

We have a situation where the statute of limitations is running out, and as of February 28, if the RTC is correct in their telephone conversations with me, the statute may bring to an end any claims that the American taxpayers may justifiably have. Then we hide this in the shroud that the statute has run. That is not good enough, Mr. President. I hope we would not be part and parcel by our silence and by our acquiescence of loaning ourselves to, yes, what amounts at the present time to a

coverup and something to which the American people are entitled,

which is the truth.

X001304

Mr. President, I yield the floor.

354 /

11/28/74 001305

Mr. D'AMATO. Mr. President, I commend Senator Nickles, my colleague, for putting forth a number of questions that I think the American people have a right to know.

Let me add that in our attempt to ascertain even the simplest things, and it seems ludicrous to me that the Resolution Trust Corporation could not tell us when the statute of limitations runs out -- incredible. Let me say unbelievable. Let me go further and say it is not worthy of belief that after all this time they cannot say that the statute of limitations *civilly on actions that might be brought against Whitewater or against those people who may have been principals or others is X, Y, Z period of time.

Do you mean to tell me that is how you conduct an investigation? #067508

You do not even look to see when an action may or may not be

X001307

capable of being brought?

Then, again, when we get back 2 weeks later, they begin to suggest and play games and say, well, we think it may be February 28. We are not sure. We are going to send you a letter. One day goes by. Two days go by. Now we will be in the month of February when we come back here. And what happens when we ask for documents? We are told the Privacy Act precludes documents that a Congressman or Senator or his staff might want access to.

That is why it is absolutely imperative that we have the Senate Banking Committee review these documents so that it takes it out of that area in which a privilege is asserted. We do not

want anybody to break the law. We do not want the Privacy Act

to be broken, and only a committee has the right to review these

documents.

X001308

I can assure this body that this Senator does not intend to remain silent, that when we reconvene Tuesday I will come back to the floor to bring this up with some more explicit information, and hopefully we will have an answer by the RTC by that time. I say hopefully, but I do not believe it.

When I get that letter telling me exactly when the statute of limitations runs out, then I will believe it because we have to use the vernacular or language that is not used in this Chamber. We have not been dealt with squarely. We have been given the bum's rush. And I do not intend to sit by and allow this to take place.

It does not take more than 2 weeks. Again, our first

1413

letter went out January 11, and here we are the end of January.

Our second inquiry by way of letter was January 25. In the

interim we had numerous phone conversations with staffs,

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X001311

457

personal visits with RTC staffers.

This is being stonewalled, and the clock is ticking, time is running. So now we have maybe 30 days after we get over this weekend. Oh, by the way, we have the President's holiday. That takes us another 10 days. We may just about come back on the 28th. And at that point someone will say: Oh, my gosh, why did not you tell us before? The time has run. The clock is ticking. It is too late.

We are serving notice that we want people to know that the clock is ticking and that the time is running out and the American people are entitled to answers.

I yield the floor.

Mr. NICKLES. Mr. President, I suggest the absence of a
quorum.

X001312

The PRESIDING OFFICER. The clerk will call the roll.

Complaint
Dante

~~Speedway-Sixty-Six-Miles~~

+ guastros

X001314

As most of my colleagues know, congressional hearings concurrent with investigations by a special counsel are not without precedent. We all remember the Iran-Contra independent counsel and the joint committee of Congress which concurrently held hearings.

Let me state at the outset that the President, both directly and through his spokesmen, have repeatedly denied any wrongdoing. And I hope for their sake, and for the sake of the Presidency and our nation, that they are right.

But Mr./Madam President, several newspapers with national reputations for accuracy and credibility, including the *New York Times*, *Wall Street Journal*, *Los Angeles Times*, *Chicago Tribune*, the *Associated Press*, *Washington Post* and the *Washington Times*, have published scores of reports on this matter. Several reports strongly suggest that procedures and rules were not followed, and yes, that

X001315

laws were broken that resulted in millions of taxpayers' dollars being lost. Based on published reports, here are some of the serious issues that are being raised that I believe merit Congressional hearings:

Number one: The New York Times reported on March 8, 1992 that Bill and Hillary Clinton's 50-percent stake in Whitewater was the result of, quote, "little money" being invested by them. Does this constitute a gift to Bill Clinton, who was then Arkansas's Attorney General, it's top law enforcement officer, and a candidate for governor?

This question is important: If a gift of money or a loan was made to help make Bill and Hillary Clinton full partners in the investment, then it might answer, in part, some of the other actions the special counsel is now investigating.

X001316

Number two: Did Bill Clinton's 1984 reelection campaign receive money illegally from Madison Guaranty, so it could pay off a \$50,000 debt owed by the candidate to another bank? In the late stages of his 1984 reelection campaign, Governor Clinton took out a personal loan of \$50,000 and lent it to his campaign.

The *New York Times* on November 2, 1993, reported that Bill Clinton put McDougal in charge of paying off that debt. McDougal held a debt-retirement fundraiser for Clinton in April 1985. Several published reports suggest that McDougal illegally diverted money from the S&L into Clinton's campaign. The Arkansas Democrat Gazette newspaper reported on January 15, 1994 that at least one person listed as having donated money at that event has denied contributing to Clinton.

X001317

Number three: Did Governor Clinton pressure a lender to illegally issue an SBA-backed loan to Susan McDougal, the wife of his business partner? David Hale was the owner of Capital Management Services, a Specialized Small Business Investment Company who by law was only allowed to lend money to "disadvantaged" business owners. He^{is} now under indictment for defrauding the SBA on other loans not related to Whitewater.

Mr. Hale has now stepped forward to allege that Governor Clinton not only pressured him into giving a \$300,000 loan to Susan McDougal for Whitewater purposes, but that he met with the governor and James McDougal to structure the loan. Let me quote from a *Washington Times* story of November 4, 1993:

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"They all knew Mrs. McDougal did not legally qualify for the SBA loan, Mr. Hale said, and at this second meeting Mr. Clinton told him that the Clinton name could not be associated with the deal, [quote], 'anywhere in this, anywhere at all,' [end quote]."

That is a very, very serious charge, Mr./Madam President. This former county and municipal judge alleges that the Governor of Arkansas knowingly help defraud the Small Business Administration for a \$300,000 loan, a loan he stood to benefit from as co-owner of Whitewater Development. Mr. Hale said he never saw Susan McDougal in the course of issuing the loan.

It was this allegation, along with Mr. Hale's indictment on unrelated charges, that got Congress's attention. Not just that of Congressman Jim Leach, but the Chairman of the House Small Business Committee, Congressman John LaFalce, a Democrat. On

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November 5, he asked the SBA for a full report on the matter. I commend him for his leadership. He asked the SBA for their report by November 15th. We have not yet seen that report.

The first Senator to step forward was our colleague from North Carolina, Lauch Faircloth, who in early November had the foresight to ask for the appointment of a special counsel. I commend my colleague for pursuing this matter.

Number four: Did Governor Clinton in 1984 pressure his Whitewater business partner, James McDougal, into hiring Hillary Rodham Clinton to handle some of Madison's legal business?

The *Los Angeles Times* on November 7, 1993, reported McDougal said Clinton "stopped by after a morning jog" to tell him that family finances were tight and ask if he could please throw some of Madison Guaranty Savings' legal business to his attorney

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wife, Hillary Rodham Clinton. When asked how much they needed, Clinton said "\$2,000 a month," according to McDougal. Hillary Clinton, then with the Rose law firm, began accepting a \$2,000-a-month retainer from Madison Guaranty.

Several newspapers, including the *Washington Post* on January 24, 1994, reported that Hillary Rodham Clinton in 1985 also helped prepare a stock reissue plan for Madison to a state securities commissioner, Beverly Bassett Schaefer, whom Governor Clinton had just appointed. The new commissioner's brother had been Clinton's campaign manager. The stock reissue plan was approved.

Were any laws broken? Perhaps not. But it is important to know whether, and to what extent, this obvious conflict of interest contributed to Madison's failure, which cost the taxpayers of this country an estimated \$47 million.

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Number five: Were Bill and Hillary Clinton "passive stockholders" in the management of Whitewater, as they claim? The President and White House spokesmen say yes. But several media reports suggest otherwise. The *Washington Times* on November 4, 1993 and other publications have outlined several financial transactions by Whitewater directly involving the Clintons.--

In that story, *The Washington Times* reported that in 1987, Hillary Rodham Clinton asked James McDougal to deliver Whitewater's records to the governor's mansion. In 1988, Hillary Rodham Clinton asked for power of attorney over all of Whitewater's affairs. That does not constitute "passive involvement." Those records, by the way, are apparently missing.

Number six: *The Washington Post* reported on November 3, 1993, that in 1989, the Rose Law Firm sought the FDIC's business

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to prosecute Madison Guaranty after it had failed, in hopes of recovering lost assets. The FDIC sought to capture \$60 million. The Rose Law Firm settled for merely \$1 million. The lead attorney was Rose's managing partner, Webster Hubbell, now Associate Attorney General of the United States.

Why is that important? Remember that the Rose Law Firm, where Hillary Rodham Clinton was a partner, had represented Madison for 15 months, during 1984 and 1985. The Rose firm sought the FDIC's business in a letter signed by then-senior partner Vincent Foster. Foster said the following in that letter to the FDIC: ~~and I quote~~ "The firm does not represent any savings and loan association in state or federal regulatory matters." ~~end quote~~

Webster Hubbell and the FDIC have a difference of opinion over whether Hubbell told them that he had a potential conflict of interest, including the fact his father-in-law, Seth Ward, had done

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substantial business with Madison. The Rose Firm collected a fee of \$400,000.

Mr. ~~Madison~~ President, the Rose Firm had no business soliciting the FDIC for business to prosecute an S&L it had once represented. The FDIC clearly should not have given them that business. Just how they got the business, and why they sought it, given all the relationships involved, and given how much the taxpayers of this country lost as a result of Madison's failure, is an extremely important question.

Number seven: Paula Casey was nominated by President Clinton, and was confirmed by this body, as the U. S. Attorney for the Eastern District of Arkansas. She has a long-standing relationship with the President. She was a law student of Bill Clinton's when he was a professor at the University of Arkansas in the 1970's. She had been a campaign volunteer.

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On November 9, 1993, the *Associated Press* and others reported that she recused herself from an RTC criminal referral to the Justice Department involving the use of Whitewater in a check-kiting scheme. The criminal referral targeted James and Susan McDougal, and mentioned that Bill and Hillary Clinton could have benefitted from it, although there was no evidence to support that. --

But the *Washington Post* reported on November 11, 1993, that only two weeks earlier, Casey wrote the RTC to concur with the Justice Department's decision that a criminal probe ~~was~~ ^{not} warranted. Why did ~~she~~ ^{not} she recuse herself then?

Mr. ~~McDougal~~ President, the *Department of Justice Manual* for U. S. attorneys is quite specific about recusals. Recusals are required if a conflict of interest exists, and I quote, "because a U.S. attorney has a personal interest in the outcome of the matter or because

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he/she has or had a professional relationship with parties or counsel;
or for other good cause. . ."

If she found reason to recuse herself on November 9th, as Whitewater was publicly unraveling, why didn't she recuse herself before it began hitting the front pages of the nation's newspapers? It appears she violated Department of Justice rules, and we deserve an explanation.

no†

Number eight: It was~~nt~~ revealed until December 21st, in the *Wall Street Journal*, just before Christmas, that two White House political aides, including the Chief of Staff for Mrs. Clinton, had entered Vince Foster's office shortly after he committed suicide to remove files related to Whitewater. For five months, the White House and the Clinton's attorney not only had possession of records, but kept it a secret.

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Unlike the other issues, this one does involve the President of the United States and the White House staff. What happened to the files after they were removed from Vince Foster's office? Why were ~~not~~^{not} the records turned over to the Park Police as part of their initial investigation? Did they mislead the Park Police in the course of an official investigation?

Why the secrecy? What was the White House trying to hide?

This is clearly an ethical matter which should be looked into. We need to know whether the White House violated ethics rules in the handling of these files from the time of Vince Foster's death until they were supposedly turned over to the Justice Department just last week.

2 ~~... states ...~~
~~... not have ...~~
~~... was ...~~
 Number nine: How much did the Clintons actually make or

lose from their Whitewater investment?

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Why is this important? It raises a question whether the American people were deliberately misled by the Clinton campaign in 1992 on Whitewater; whether as early as March of 1992, a coverup was underway.

In the 1992 campaign, after the *New York Times* first broke the story about Whitewater, candidate Bill Clinton on March 12th commissioned a full financial review of the land deal. He asked a Denver attorney and friend, James Lyons, to lead the effort along with a Denver forensic accounting firm.

The Lyons report said the Clintons lost more than \$60,000 in Whitewater. But the Lyons report has come under assault for not mentioning some very important facts, which have been outlined in a *Wall Street Journal* story of January 4, 1994.

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But *Time Magazine* on January 24th, ¹⁹⁹⁴ after reviewing land records in Madison County, Arkansas, came up with some new information: The Clintons and the McDougals originally bought the land for about \$882 dollars per acre in 1978. A year later, they sold the land to Whitewater Development for \$1,087 an acre. Who owned Whitewater? James and Susan McDougal and Bill and Hillary Clinton. This transaction strongly suggests that the Clintons made thousands of dollars off Whitewater.

If the Clinton's lost so much money, Mr./Madam President, why didn't they claim that loss on their tax returns? In their 1992 tax returns, they actually claimed a \$1,000 capital gains from the sale of their Whitewater investment to partner James McDougal. McDougal himself has said the loss probably totaled about \$9,000.

We deserve to know the truth.

X001329

There are a few other things the Lyons report glossed over.

It failed to even mention Whitewater's single largest transaction, the purchase of over a thousand acres from International Paper Corporation.

It failed to mention a highly unusual airplane-for-land swap between Whitewater and James McDougal involving Webster Hubbell's father-in-law, a Madison subsidiary employee.

And it forgot to mention that Whitewater failed to file tax returns for three years.

That's issue number ten. Why didn't Whitewater didn't file tax returns for three years?

Now Mr./Madam President, you and I file tax returns. It's no secret that every working American, every family, every corporation ^{X001330} in this country by law must file a tax return, even if they don't owe any taxes, even if they lost money. Failure to file is a crime.

It wasn't revealed until December 19, 1992 in the *Washington Post*, that the Clinton's discovered after the election that Whitewater hadn't paid taxes for three years. The President-elect and Mrs. Clinton directed Vince Foster, working with Whitewater's accountants, to prepare the returns. They were filed in June of last year.

Mr./Madam President, Whitewater was involved in the failure of a federally insured savings and loan, a failure that cost taxpayers ^{\$47} \$47 million. Whitewater was involved in the apparent defrauding of the Small Business Administration. Whitewater failed to file federal income taxes for three years. Whitewater was the subject of a

RTC Hearings to Give GOP a Chance To Grill Clinton Aides About Thrift

By ALBERT R. KARR

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — Congressional hearings this week will give Republican lawmakers their first chance to grill Clinton administration officials about legal issues related to a failed Arkansas thrift.

The Senate Banking Committee scheduled a hearing for Thursday on the performance of the Resolution Trust Corp., which is a Treasury Department unit and the government's savings-and-loan cleanup agency. Republicans, led by Sen. Alfonse D'Amato of New York, promise to delve into how the RTC is handling an investigation into any wrongdoing linked to failed Madison Guaranty Savings & Loan.

Various news accounts and GOP allegations have linked Madison, which failed in 1989, to helping Bill and Hillary Rodham Clinton finance their investment in Whitewater Development Co., an Arkansas land-development venture, and to fund-raising for Mr. Clinton's gubernatorial campaign debts. An independent counsel is investigating such claims.

The GOP will get a crack at witnesses including Treasury Secretary Lloyd Bentsen; Deputy Treasury Secretary Roger Altman, who is also interim RTC chief; acting Federal Deposit Insurance Corp. Chairman Andrew Hove; and Jonathan Flechter, acting head of the Office of Thrift Supervision. The FDIC and OTS also have S&L regulatory powers.

Hearings Are Scheduled

Under GOP pressure, Banking Committee Chairman Donald Riegle (D., Mich.) set the Thursday hearing to receive a report of the Thrift Depositor Protection Oversight Board, which monitors the RTC. Mr. Bentsen is chairman of the oversight board, and Messrs. Altman, Hove and Flechter are among its members. Rep. Henry Gonzalez (D., Texas), chairman of the House Banking Committee, has agreed

to hold a similar hearing, where Rep. Jim Leach (R., Iowa) plans to raise Madison questions. Messrs. Riegle and Gonzalez had rebuffed GOP demands for broader hearings into the Whitewater-Madison issue itself.

Mr. Altman, a college classmate of the president and a longtime friend of the Clintons, is expected to get special GOP attention Thursday. "We intend to fully explore the actions of the RTC and its interim leader in the Madison/Whitewater controversy, including the delayed and incomplete responses to congressional requests for information as well as the question of Mr. Altman's recusal," Sen. D'Amato said. Sen. D'Amato has called for Mr. Altman to remove himself from overseeing matters involving Madison.

Sen. D'Amato, the banking panel's ranking Republican, also has accused the RTC of dragging its heels in the probe. Mr. Altman has said the RTC is conducting a vigorous investigation.

Statute of Limitations

The Senate and House, by 95-0 and 399-1 tallies, have voted to extend the RTC's statute of limitations for fraud and gross negligence in civil claims against S&L wrongdoers. The statute of limitations, which would otherwise run out for Madison and several hundred other thrifts on Monday, will be extended until the end of 1996, when the RTC itself expires.

Sen. D'Amato said Banking Committee Republicans also will question last week's FDIC report that exonerated the Rose Law Firm in Arkansas, where Mrs. Clinton and several administration officials were partners, of violating any conflict-of-interest rules in its dealings with Madison. Some have called the report a "whitewash," Sen. D'Amato said.

About two weeks ago, Ricki Tigart, the president's nominee to head the FDIC, recused herself from matters involving the Clintons and Madison. Ms. Tigart, also a friend of the Clintons, faced possible GOP efforts to block Senate confirmation of her nomination.

U.S. Reserve Assets Increased in January

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — U.S. reserve assets rose \$801 million in January to \$74.24 billion from \$73.44 billion in December, the Treasury reported.

January's rise followed a \$800 million decline in December.

U.S. reserve assets consist of foreign currencies, gold, special drawing rights at the International Monetary Fund and the U.S. reserve position at the IMF. In January 1993, they totaled \$71.96 billion.

The Treasury said holdings of foreign currencies rose \$682 million from December to \$42.21 billion, while the gold stock was unchanged at \$11.05 billion. The reserve position — the ability to draw foreign currency — at the IMF increased \$86 million to \$11.91 billion and holdings of IMF special drawing rights were up \$31 million to \$9.07 billion.

U.S. Antitrust Inquiry Praised by Small Bankers

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — Small bankers are delighted that the Justice Department has launched an investigation into whether the networks that link automated teller machines are limiting their systems solely to banks that purchase other services from the networks.

Attorney General Janet Reno disclosed the antitrust investigation in a speech to the Independent Bankers Association of America at its annual meeting in Orlando, Fla. If the department finds evidence of antitrust activity, she said, it will press the case in court.

"We were very pleased to hear the attorney general cite this as something they are looking into," said Diane Casey of the bankers association, a trade group of small banks. "Our bankers need access to those systems."

The Justice Department opened the antitrust investigation after receiving complaints that ATM networks were pressuring bankers to purchase other services from the networks. Banks, for instance, could allow their customers to pay bills by telephone or through personal computers, if the bank purchased the service through the network.

X001331

THE WALL STREET JOURNAL TUESDAY, FEBRUARY 22, 1994

Essay

WILLIAM SAFIRE

Whitewater Cover-Up

In the history of modern political scandal, the cover-up is always worse than the crime.

That's the way it was in the Nixon White House about a stupid break-in at Watergate. That's how it is with Bush Justice's non-prosecution of Iragate, which Reno Justice should be ready to turn over for prosecution as soon as House and Senate conferees adjust the recently passed Independent Counsel Act. And that's how it will be when the Whitewatergate Federal-level cover-up of state-level wrongdoing is exposed in the years to come.

Take the most recent abuses of Federal power to smother an inquiry.

1. The F.D.I.C. Fix. Press reports forced the Federal Deposit Insurance Corporation to report on whether the Rose Law Firm (Hillary Clinton, Webster Hubbell, Vincent Foster & Co.) had disclosed its previous representation of the Madison S.&L. in its pitch to the F.D.I.C. for bailout business. Vince Foster's lengthy pitch letter, quoted in this space, evaded the legal requirement to disclose.

F.D.I.C. whitewashers noted that Mr. Hubbell, now de facto Attorney General, claimed to have "very generally," and never in writing, advised an F.D.I.C. attorney of "a small amount of work." That Government attorney directly disposed Hubbell's story, so did his supervisor. Even the Rose partner working on the account differs from the Hubbell version. Yet the Clinton F.D.I.C. chose to believe the profoundly conflicted Hubbell.

2. The Resolution Trust-Treasury-White House cover-up. Though "Keating Five" chairman Don Riegle blocks a needed Senate Banking inquiry, Senator Al D'Amato used a routine R.T.C. hearing to extract embarrassing news from Roger Altman, acting chief of the agency dealing with failed S.&L.'s.

Mr. Altman, apparently ready to cut corners to get Lloyd Bentsen's Treasury job, went to the White House to give advance information on the R.T.C.'s plans in Whitewatergate to the counsel, Bernard Nussbaum; Hillary's staff chief, Margaret Williams, and Harold Ickes Jr. (whose father resigned with the famous check at Truman: "I am against government by crony").

The apple-polishing agency head was ordered to find out from R.T.C. counsel if his agency had to provide the same inside stuff on procedures to others. Dutifully, Altman went back and did, and the timing edge he had

given the White House team was evident in the sly answer: "in due course." Pity those dopey outside parties at interest.

Having been forced by Senator D'Amato's questioning to spill the beans on currying White House favor, Altman belatedly recused himself from the case, pleading only "bad judgment." To this moment, nobody from the non-independent counsel's force has asked any of the meeting's participants what was said, or warned anybody not to destroy notes always taken at such meetings.

3. The Stonewalling Speaker. On a matter that cries out for Congressional oversight, why have there been no hearings in the House?

Because at a secret 8 A.M. meeting (apologies to Evans & Novak) of Democratic satraps and staff members on Feb. 2 in Speaker Tom Foley's offices, George "The Enforcer" Kundanis laid down the law: no

Always worse
than the crime.

Whitewater hearings anywhere under any circumstances. Erstwhile anti-corruption tigers like Henry Gonzalez, John Dingell and Jack Brooks have since cravenly obeyed party orders.

But that put the Small Business Committee chairman, John LaFalce, a New York Democrat, in a bind; he had already requested papers from the Small Business Administration, which readily unloaded a newsworthy pile about the McDougals' loans unknown to the non-independent counsel. Mr. LaFalce had sent the hot documents to the General Accounting Office for analysis and is now frantically trying to get that agency of Congress not to give him a report.

As cover-ups go, Whitewatergate rates a B — less clumsy than Watergate but not as effective as Iragate, for which James Baker and William Barr deserve an A for befogging Janet's junior Javert at Justice, John Hogan.

Mr. Clinton's major contribution to the art of containing scandal is the negotiated subpoena, whereby damaging data is directed under a single rug. Smart maneuver: might take the Democrats past the '94 elections. □

X001332

Gettysburg Address
Should Stay in Capital

To the Editor:

"The Right Address Is Gettysburg PA" (editorial, Feb. 21) urges that one original draft of Lincoln's Gettysburg Address be permanently placed at the national battlefield park. Since the Library of Congress has two drafts, you would have us yield to local interests, divide this national treasure and leave one draft on permanent display at Gettysburg.

This sounds Solomonian and simple. But it is not. The library was explicitly given custody of both drafts in 1916 by the descendants of John Hay, Lincoln's secretary; they are among the designated national treasures that we carefully preserve for future generations of Americans. We have lent one draft to the National Park Service at Gettysburg seasonally since 1979. Congress's Joint Committee on the Library, concerned about the fragile condition of the documents, has directed us to end this arrangement after this year.

Both drafts are on acid paper, which means that exhibition hastens their disintegration. This is happening at Gettysburg. If they are to be preserved as long as possible, the drafts should not be pilged on prolonged display anywhere.

Our plan is to display our Lincoln drafts in rotation only one or two days each year in a state-of-the-art environmentally controlled case. Unless such care is exercised, the original Gettysburg Address drafts may no longer exist four score and seven years from now.

Almost 10 times as many Americans visit the Library of Congress as visit Gettysburg. The logical solution for permanent display at Gettysburg is to showcase a perfect facsimile, and let our preservation specialists tend and protect the two originals where they belong — in the nation's library.

JAMES H. BILLINGTON
Librarian of Congress
Washington, Feb. 23, 1994

X001333

Agencies Accused of 'Whitewash' on Whitewater

The Washington Post

Friday, February 25, 1994 A9

By Susan Schmidt
Washington Post Staff Writer

In a sometimes heated debate over the Whitewater investigation, Senate Republicans yesterday questioned top officials of two federal banking agencies whether they are allowing partisan politics to interfere with the inquiry.

In a hearing before the Banking Committee, Sen. Al D'Amato (N.Y.), the panel's ranking Republican, lambasted the Federal Deposit Insurance Corp. chairman for the agency's recent report clearing the Rose Law Firm of conflicts of interest, calling it "an incredible whitewash." The Rose firm, whose former partners included Hillary Rodham Clinton, represented the failed Madison Guaranty Savings & Loan before state regulators when Bill Clinton was governor of Arkansas. Acting FDIC Chairman Andrew C. Howe Jr. agreed to have the FDIC's general investigate the origins of the report.

Republicans also sharply questioned Deputy Treasury Secretary Roger C. Altman, the appointed acting chief of the Resolution Trust Corp., on his meeting three weeks ago with White House counsel Bernard Nathanson and other Clinton aides to brief them on the RTC's procedures should it decide to file civil claims in the Whitewater investigation.

Altman said that in a meeting with Nathanson, Hillary Clinton's chief of staff Margaret Williams and health care adviser Harold Ickes, he outlined various courses the RTC could take as it approached a Feb. 26 decision on filing civil claims against Madison officers, directors and lawyers. Since then, Congress has extended the deadline to the end of 1995.

Altman said he told the White House aides the RTC would have to decide whether there was a basis to bring civil claims and, if so, whether to file suit immediately or seek a voluntary settlement of the disputes from possible defendants.

"I was solely to be sure that [Nathanson] understood the legal and procedural framework," Altman told the committee. He said he felt briefing was justified because he had been giving such information to banking members of Congress.

D'Amato, who probed some aspects of the RTC's March investigation yesterday, had urged Altman to receive himself from the Whitewater probe because it involves the president, who named Altman to his job.

Present at yesterday's session, including an overnight hearing on the RTC, were the five top-level officials on a board that oversees the agency. In addition to Altman and Howe, they included Treasury Secretary Lloyd Bentsen and Federal Reserve Chairman Alan Greenspan.

Republicans used the session to turn a harsh light on the Whitewater inquiry and complaints about the Democratic majority's refusal to hold hearings on the issue. Democrats, led by Sen. John F. Kerry (Mass.), argued Republicans were engaged in "very partisan digging out of one's beltline."

They maintained Congress does not need to hold hearings because Whitewater and Madison are subjects of an extensive investigation by Robert B. Fiske Jr., the special counsel appointed by Attorney General Janet Reno.

Much of the hearing was devoted to discussion of a report on the Rose Law Firm released last week by the FDIC's legal division, which examined whether Rose lawyers properly disclosed involvement with Madison when they were hired by the government in 1989 to pursue a lawsuit against Madison's former accountants.

The FDIC's legal division, which originally hired the firm, found there was a conflict of interest. It reached that conclusion despite evidence the firm asserted disclosed its representation of Madison before state regulators, and had received the accountants' audit work in meeting certain regulatory approval. Hillary Clinton was one of the attorneys representing Madison.

The FDIC lawyers also decided they would have preferred to know that Rose's lead attorney on the case—Walter L. Hubbard, now associate attorney general—had relatives involved in litigation with the government over hundreds of thousands of dollars in Madison loans and commitments. But they said, under their relatively lax 1989 rules, Hubbard's actions did not constitute a conflict.

"This is the most incredible whitewash," D'Amato told Howe. "I mean, are you serious?"

The RTC has prepared a separate report on the conflicts question that was released by D'Amato. It found the Rose firm failed to disclose potential conflicts of interest, and the study has been sent to the RTC general counsel for review.

The FDIC report said there was not a conflict because Rose lawyers imposed an internal "fire wall" to keep Madison information from Hubbard about his father-in-law, Seth Ward. "That's an Arkansas fire wall," said Sen. Lautch (R-N.C.). "You could strike a match behind it, but the sparks won't get the glow and feed the heat."

House-Republicans agreed to seek an inspector general's investigation of the report and the handling of another case involving Hillary Clinton. In that case, also an SEC matter, the signed court documents on behalf of her partner, the lead attorney on the case, former deputy White House counsel Vincent Foster, a leading Rose attorney. The case was against Dan Laster, a Clinton friend and supporter.

Hillary Clinton signed an amended complaint that reduced damages sought by the government from \$1.3 million to \$1.3 million. She was not involved in the final \$200,000 settlement, according to the FDIC.

BOOK BRIEFED WHITE HOUSE AIDES ON BANKING INQUIRY

MEETING CALLED UNUSUAL

Examiner of S. & L. in Arkansas
Says Statute of Limitations
Was Topic of Discussion

By STEPHEN LABATON

Special to The New York Times

WASHINGTON, Feb. 24 — In a surprising admission, the head of a Federal agency examining the failure of an Arkansas savings and loan at the center of the inquiry into the Clintons' real estate investments said he held a briefing three weeks ago for senior White House aides on the agency's progress.

Deputy Treasury Secretary Roger C. Altman, who is also the acting head of the Resolution Trust Corporation, acknowledged today under questioning by Republicans on the Senate Banking Committee that he had met with the White House counsel, Bernard W. Nussbaum, the deputy chief of staff, Harold M. Ickes, and Hillary Rodham Clinton's chief of staff, Margaret Williams.

Mr. Altman said he had held the unusual briefing to tell the White House staff members that the examination into the savings association, Madison Guaranty, had been running up against a statute of limitations problem and that the agency would soon be deciding whether it should proceed. Madison was owned by James B. McDougal and his wife, Susan, the Clintons' partners in the real estate venture, known as Whitewater Development.

Were Politics Involved?

The meeting was unusual because the Resolution Trust Corporation is an independent regulatory agency whose lawyers are supposed to operate without political considerations. Moreover, the briefing was attended by senior advisers to the Clintons, who are themselves the subject of the agency's investigations.

Republicans immediately pointed to the briefing as evidence that the White House has been controlling inquiries into Madison and Whitewater. Representative Jim Leach, Republican of Iowa, said that the meeting was "thoroughly unseemly" and that it undermined "the credibility of the regulatory process."

"Nothing could be more inappropriate," said Mr. Leach, the ranking Republican on the House Banking Committee. "The Resolution Trust Cor-

poration should be arms length from both the Executive Branch and from Congress. These are process issues that should be handled in appropriate ways."

The Resolution Trust Corporation has been examining whether to bring fraud charges against any executives or borrowers connected with Madison, or whether there were any conflicts of interest involving Mrs. Clinton's former law firm, the Rose firm of Little Rock, Ark.

In 1983, Madison was represented by Mrs. Clinton before a state regulator who had been appointed by her husband. After Madison failed five years ago, Federal regulators hired Mrs. Clinton's law firm to sue the savings institution's accountants.

"I'd describe it as a heads up," Mr. Altman said of the meeting, "that they should be aware of the internal processes and the types of criteria which the R.T.C. was going to be following in order to reach a decision by February 28."

Mr. Altman did not tell committee what particular aspect of the investigation he had discussed or what decision had been made. Michelle Smith, a Treasury spokeswoman, said after the Banking Committee hearing that the briefing was about the statute of limitations for any claims of fraud or intentional misconduct against Madison's executives or lawyers. Congress has recently extended the statute of limitations to make it possible for the new independent counsel investigating the Clintons' real estate investments to have the ability to bring charges.

Whitewater Issue

The counsel, Robert B. Fiske Jr., is examining whether Madison improperly funneled any money into Whitewater or into Mr. Clinton's campaigns while he was Governor of Arkansas.

Mr. Altman said that he had requested the White House meeting and that he saw nothing inappropriate about it. He said it was the same kind of briefing that he had been providing to members of Congress who had asked about whether the investigation into Madison would be hampered by the statute of limitations.

"We explained the process which the R.T.C. would follow in reaching a decision before that Feb. 28 deadline, that it would be exactly identical to procedures used in any other cases," he said.

But Republicans on the banking committee attacked the meeting as a sign of how the Clinton Administration has failed to conduct a proper examination of Madison and Whitewater.

Senator Alfonse M. D'Amato, the New York Republican who has been a leading critic in the Senate against the Administration's handling of the case, said Mr. Altman's portrayal of the meeting was not credible.

"Can you imagine if I or another Senator brought someone to the R.T.C. to ask for an update of a lawsuit?" asked Mr. D'Amato, the ranking Republican on the banking committee. "What would they think of us? It is totally inappropriate and presents the worst of appearances. And these were not the Clinton's personal lawyers. They were Nussbaum and Ickes and Williams."

In an interview late this afternoon, Mr. Ickes, who leads a White House team trying to control the political fallout from the investigation, portrayed the meeting as a brief session to go over the impending deadline for the agency to file suits.

"It was a very short meeting," he said after the committee hearing. "He came in, advised us of the status of the statute of limitations, and end left." Mr. Ickes said he saw nothing inappropriate about having the head of the Resolution Trust agency advise White

House officials. X001334

The committee hearing today was convened as a regular semiannual review of the Resolution Trust Corporation, but it quickly turned into a bickering match between Republicans and Democrats over the investigation into Madison and the Rose law firm.

Last week, the Federal Deposit Insurance Corporation, a sister agency to the Resolution Trust agency, cleared Mrs. Clinton's former law firm of any conflict of interest in connection with its work on Madison and then against the accountants. It is not clear whether the Resolution Trust agency came to the same conclusion.

But today, the committee had new documents showing that F.D.I.C. officials were concerned about possible conflict. While a Rose firm's senior partner, Webster L. Hubbell, was representing the Government against the accounting firm of Frost & Company, Mr. Hubbell's father-in-law, Seth Ward, was involved in suits against Madison.

"There appears to be a conflict in representation and a question of loyalty," wrote Paul A. Jeddell, an F.D.I.C. staff lawyer involved in the case at the time. "Mr. Hubbell may not be able to compromise our interests in the Seth Ward matter."



R.T.C.

Continued on Page A16, Column 1

SATURDAY, FEBRUARY 26, 1994 THE WASHINGTON POST

Senior Official Steps Aside in Probe Of S&L Linked to Clintons' Venture

By Susan Schmidt
and Charles R. Babcock
Washington Post Staff Writers

Deputy Treasury Secretary Roger C. Altman, a political appointee serving as temporary chief of the federal thrift cleanup agency, refused himself yesterday from any further action on the investigation of an Arkansas savings and loan with ties to President Clinton and Hillary Rodham Clinton.

Altman announced he was taking the step one day after revealing during congressional questioning that he recently briefed White House officials on how his agency would proceed with potential civil claims growing out of the failure of Madison Guaranty Savings & Loan. Altman's disclosure, under questioning from Republican senators, was criticized as evidence that the White House is improperly interfering in a case that directly affects the Clintons.

Altman also said he will step down as interim head of the Resolution Trust Corp. at the end of March. The administration is expected to nominate a permanent chief soon for the RTC, which by law is supposed to be an independent federal agency. Treasury officials said Altman did not believe the Madison investigation presented a conflict for him but realized there was the appearance of conflict and decided to recuse himself for that reason.

The RTC is disposing of failed S&Ls and pursuing civil and criminal cases against officers, directors, lawyers, accountants, borrowers and others. Hillary Clinton and her former associates at the Rose Law Firm in Little Rock, Ark., represented Madison before state regulators in the mid-1980s.

Altman told the Senate Banking Committee that he contacted White House counsel Bernard Nussbaum about three weeks ago and offered to meet with him to explain what the RTC would do as the deadline for filing civil claims in the Madison probe neared. That deadline was Feb. 28, but Congress has extended it until the end of 1995.

Altman said he met with Nussbaum; Margaret Williams, Hillary Clinton's chief of staff; and the president's deputy chief of staff, Harold Ickes, who has been assigned the task of damage control in the Whitewater probe.

White House officials yesterday defended the meeting. "There's nothing

improper about it," said White House press secretary Dee Dee Myers. "He basically informed the White House—as he did Congress, as he did the press. It was strictly a procedural briefing. There was nothing available that was not available to members of the press or Congress."

Altman said he told White House aides during the meeting that if the RTC made a claim was warranted, it would either file a lawsuit or seek potential defendants to voluntarily sign agreements extending the deadline. He said he already had given such information to inquiring Republican members of Congress.

Meanwhile, Rep. Jim Leach (Iowa), the ranking Republican on the House Banking Committee, yesterday released portions of a taped conversation in which the Clintons' former business partner, James McDougal, disputes their accounting of their investment in their joint Whitewater land venture. McDougal said in the 1992 conversation that the Clintons never made a \$9,000 interest payment that they claimed on their 1989 federal income taxes and that they used corporate assets to pay off a personal loan.

In a memo to minority committee members, Leach said McDougal's comments "appear to indicate that the Clintons lost no money in Whitewater" and "suggest that the tax consequences which emanate from this venture merit careful scrutiny."

Leach, who has been gathering documents for hearings he plans to hold next month on the Whitewater matter, said in an interview yesterday that he considered McDougal's comments important because, "he is sitting down with book ledgers, which lends it great credibility." The tape was made during a talk McDougal had in the spring of 1992 with Sheffield Nelson, who ran for governor against Clinton in 1990 and was himself an investor in a project financed through the McDougal-owned Madison Guaranty Savings & Loan.

The Clintons claimed in their 1989 federal tax returns that they made \$9,000 in interest payments to McDougal related to the Whitewater venture. "They didn't pay me. . . . They have never paid me a penny's interest," McDougal said.

In recent weeks, McDougal has said that he could recall the Clintons putting about \$13,500 into Whitewater, not the \$68,900 they

claimed when the investment became an issue in the 1992 presidential primaries and since.

Referring to the 1992 taped conversation, Bruce Lindsey, a senior White House aide, said yesterday, "I think he [McDougal] is confused. He has said he is relying on his memory with these amounts, and his memory is mistaken."

Lindsey said in an earlier interview that he believed the Clintons paid McDougal \$9,000 in 1980 to compensate him for interest he had paid on a joint loan used to finance the Whitewater venture.

Special counsel Robert B. Fiske Jr. is now trying to sort out Whitewater's finances as part of an intense Justice Department investigation.

In the taped conversation with Nelson, apparently just after the Clinton campaign released a report about the Whitewater investment, McDougal said: "I could sink it [the \$68,900 figure] quicker than they could lie about it if I could get in a position so I wouldn't have my head beaten off. And Bill knows that."

In the transcript, McDougal said the Clintons personally sold "a corporate asset" for which Whitewater had made all the payments. He was referring to a lot and model home on the Whitewater property. Lindsey said the Clintons made some payments on the lot.

Last night, McDougal said a transcript read to him "sounds fabricated." He told the Associated Press, "I'm reserving any further comment until whatever Republican prepared the transcript makes the original tape available."

In another development, Sen. Alfonse M. D'Amato (R-N.Y.) accused Democratic National Committee Chairman David Wilhelm of using "political intimidation tactics" in a letter criticizing D'Amato for leading the GOP charge on Whitewater.

In the Feb. 25 letter, Wilhelm said D'Amato's own actions "present a clear pattern of conflict of interest over savings and loans and other business interests." As one example, he cited a Senate ethics committee probe of D'Amato's conduct in permitting his brother Armand to send letters under his name to the Pentagon to lobby for a contract.

D'Amato's reply said the letter "reconfirms my suspicion that something is rotten in Little Rock."

Staff writer Ruth Marcus contributed to this report.

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bc-whitewater times - a1748

(ATTN: National editors) (Includes optional trims)
 Altman Disqualifies Self in Whitewater Probe (Washn)
 By Sara Fritts and Robert Rosenblatt (c) 1994, Los Angeles Times=
 WASHINGTON Deputy Treasury Secretary Roger Altman, criticized for
 discussing the government's Whitewater real estate investigation with top
 White House aides, disqualified himself Friday from further official
 involvement in the case.

He becomes the third high-ranking Clinton appointee to be accused of a
 conflict of interest in connection with the Whitewater affair.

At the same time, one of the chief Republican critics of President
 Clinton's Whitewater investment released new evidence to support allegations
 that the president and first lady Hillary Rodham Clinton lost less money than
 they have claimed or perhaps even profited by investing in the Ozark resort
 development with the owner of a failed savings and loan.

Altman, who also serves as acting head of the Resolution Trust Corp., was
 severely criticized by Republicans on the Senate Banking Committee Thursday,
 when he disclosed that he briefed White House officials three weeks ago on an
 aspect of the RTC's investigation into Whitewater.

In a statement, the Treasury Department noted that Altman's interim
 appointment as RTC chief will expire on March 30 and "he will have no role
 with the RTC beyond that time." Until then, it said, he plans to recuse
 himself from all of the agency's dealings involving Whitewater.

The RTC, created to resolve hundreds of savings and loan failures in the
 1980s, is investigating whether money from the now-defunct Madison Guarantee
 Savings & Loan of Little Rock, Ark., was invested in the Whitewater
 development.

The owner of Madison, James McDougal, and his wife, Susan, were partners
 with the Clintons until 1992 in the Whitewater Development Corp., which was
 established to build a resort community in the Ozarks.

While the RTC continues to investigate matters involving Madison, a
 special counsel, Robert B. Fiske, Jr., has been appointed by Attorney General
 Janet Reno to conduct a wider investigation of all matters relating to the
 Clintons' Whitewater investment.

At issue in the Whitewater controversy is whether Clinton, who was then
 governor of Arkansas, or Mrs. Clinton benefited improperly from the
 investment. The Clintons have insisted they are innocent of any wrongdoing
 and say they lost money on the deal when the plans for the resort collapsed.

As the federal investigations have progressed, two other top-ranking White
 House officials besides Altman have been accused of conflicts in the affair.

White House Deputy Counsel Vincent Foster, who committed suicide last
 summer, was criticized for acting as the Clinton's personal attorney in the
 matter while on the government payroll.

In addition, White House counsel Bernard Nussbaum has been taken to task
 by Republicans for allowing the Whitewater files to be removed from Foster's
 office before it was searched by law enforcement officials investigating the
 suicide.

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Under questioning by Republicans, Altman acknowledged that he met with
 White House officials to discuss the options facing the RTC in light of the
 then-impending Feb. 28 expiration date for all civil suits related to Madison
 and Whitewater. That deadline has since been repealed by Congress.

Altman's decision to recuse himself from Whitewater-related matters
 represents a turnaround on his part. Just recently, he told Rep. Jim Leach,
 R-Iowa, ranking Republican on the House Banking Committee, that he saw no
 conflict in his dealings with the case, even though he is a Clinton appointee.

Meanwhile, Leach, who has undertaken his own investigation, issued
 previously undisclosed portions of a Little Rock attorney's 1992 interview
 with James McDougal.

The tape adds new elements to McDougal's unproven claim that the Clintons
 did not lose \$68,000 on the deal, as they have said.

In the interview, conducted by Republican attorney Sheffield Nelson,
 McDougal contends that a \$30,000 loan made by Mrs. Clinton to pay for a model
 home on the resort site was repaid entirely from Whitewater funds.
 Furthermore, he says the Clintons never paid him \$9,500 in interest that they
 reported on their 1980 income tax report.

If McDougal's version of these transactions proves to be accurate,
 according to an analysis by Leach's House Banking Committee staff, it is
 likely that the Clintons "lost no money in Whitewater" and may be liable for
 unpaid taxes.

**** filed by:LANP(--) on 02/26/94 at 02:12EST ****
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Recorded contradictions to Clinton tax

Treasury deputy Altman quits Whitewater probe filings found

By Michael Hedges
The Washington Times

Deputy Treasury Secretary Roger C. Altman yesterday recused himself from the probe of a failed Arkansas savings and loan linked to President Clinton and said he will step down March 30 as acting head of the S&L liquidation agency.

The Treasury Department issued the announcement the day after Mr. Altman told a Senate panel he had briefed White House officials on the status of the Resolution Trust Corp.'s probe of Madison Guaranty Savings and Loan.

Madison was owned by James B. McDougal, a former business partner with Mr. and Mrs. Clin-

ton in the Whitewater Development Corp., a failed land deal also under federal criminal investigation.

Mr. McDougal is suspected of diverting depositor funds from Madison to Mr. Clinton's 1984 gubernatorial campaign using overdrawn accounts and Madison-approved loans. He also is accused of diverting the S&L's money to Whitewater.

Before yesterday's announcement, Mr. Altman had been expected to step down as the RTC's head at the end of next month, but he had not removed himself from the Madison case.

Legal experts yesterday criticized his decision to brief White

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ALTMAN

From page A1

House Counsel Bernard Nussbaum, Deputy Chief of Staff Harold Ickes and Mrs. Clinton's Chief of Staff Margaret Williams on the investigation.

"I probably would have advised him not to have that meeting," said Roy Simon, a law professor at Hofstra University and a former board member of the American Civil Liberties Union.

William L. Seidman, former RTC board chairman, said the RTC director is supposed to be "independent" and noted Mr. Altman's primary duty as a Treasury Department official.

"As a member of the Treasury Department I don't know of any restraints on him briefing the White House, but I think he was caught in a Catch-22," Mr. Seidman said.

It was thoroughly unprofessional and raises many questions of ethics," said Rep. Jim Leach, Iowa Republican, who has led House efforts to investigate the Whitewater-Madison controversy.

Mr. Leach, ranking minority member of the House Banking Committee, said the Altman meeting would be an issue at a House oversight hearing on the RTC next month.

On Thursday, Mr. Altman told the Senate Banking Committee he apprised the officials three weeks ago of the probe's status and the difficulties with statutes of limitation the RTC had encountered.

Mr. Altman described the briefing as routine, saying he initiated the meeting to explain how the agency proceeded when a deadline for filing civil charges in a case was approaching.

At the time of the meeting, the deadline for filing civil claims in the Madison case was set to expire

"As a member of the Treasury Department I don't know of any restraints on him briefing the White House, but I think he was caught in a Catch-22."

— William L. Seidman

at the end of this month. Congress has since extended the deadline for another two years.

Mr. Leach said telling the administration about the statute of limitations concerns played into White House hands. "Part of the White House strategy, long-term, is understanding the statute of limitations aspects of this case," he said.

Legal experts said informing a prospective subject of an investigation about problems with statutes of limitation could help with the formation of a defense strategy.

A White House spokeswoman declined to comment on the meeting, repeating the usual White House comment that the case is under investigation by a special counsel.

The White House press office has declined to discuss the Whitewater-Madison scandal since special counsel Robert B. Fiske Jr. was appointed last month by Attorney General Janet Reno to investigate it.

An RTC spokesman said the agency also declined comment.

In its announcement yesterday, the Treasury Department said Mr. Altman "will have no role" in RTC operations after the end of next month. "In the interim, he will be recused from all matters relating to Madison Guaranty," the department said.

Mr. Altman's decision was just part of the fallout from an incessant GOP attack on Whitewater that began at Thursday's hearing.

The leader of that attack — Sen. Alfonse M. D'Amato, New York Republican — yesterday de-

nounced what he called the "political intimidation tactics ... by Democratic National Committee Chairman David Wilhelm" to block further investigation of Whitewater-Madison.

In a letter to Mr. D'Amato yesterday, Mr. Wilhelm assailed the senator's credibility on seeking extensions on the statute of limitations for civil suits in the Madison case.

Mr. Wilhelm said the senator opposed statute extensions in other cases, noted Senate Ethics Committee criticism of Mr. D'Amato, who supported 1980s legislation that made it easier for thrifts to purchase junk bonds.

In response, Mr. D'Amato said he will "redouble ... efforts to get to the bottom of this Whitewater-Madison scandal," adding that Mr. Wilhelm's "attempt to interject political intimidation into this process is despicable."

Also yesterday, Andrew C. Hove, acting chairman of the Federal Deposit Insurance Corp., agreed to re-examine the agency's recent findings that Mrs. Clinton's former law firm had no conflicts of interest in government cases it handled.

Republicans have suggested the FDIC's findings were a "whitewash."

Mr. Hove instructed the FDIC's inspector general to investigate if the Rose Law Firm of Little Rock, Ark., had "any conflicts of interest or other improprieties" when it helped the government sue S&L wrongdoers.

• This article is based in part on wire service reports.

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By Paul M. Rodriguez
THE WASHINGTON TIMES

A1

Republicans investigating the Whitewater-Madison affairs have obtained recorded statements attributed to a former partner of President and Hillary Rodham Clinton's that contradict the Clintons' tax filings and White House comments on the affair.

Rep. Jim Leach, the Iowa Republican who is conducting a GOP probe of Whitewater-Madison, sent transcripts of the statements by James B. McDougal to other GOP House members along with a report from House Banking Committee GOP investigators raising questions about the Clintons' tax liability and truthfulness in the matter.

New portions of the transcripts, a majority of which already have been made public, are from a March 24, 1992, taped conversation between Mr. McDougal and Sheffield Nelson, a Little Rock lawyer and former Arkansas GOP chairman who ran against Mr. Clinton for governor in 1990.

But Mr. McDougal last night impugned the validity of the transcript, saying it did not sound like the way he talks.

"It sounds fabricated," he told the Associated Press. "I'm reserving any further comment until whatever Republican prepared the transcript makes the original tape available." He said the tape should also be given to White water-Madison special counsel Robert B. Fiske Jr.

Mr. Nelson could not be reached for comment.

Mr. McDougal, former owner of the failed Madison Guaranty Savings and Loan Association, was a partner with the Clintons in Whitewater Development Corp., an unsuccessful real estate venture in northern Arkansas.

In his conversation with Mr. Nelson, Mr. McDougal said a \$9,500 interest payment on a Whitewater loan — a deduction

see CLINTONS, page A10

• Sen. Durenberger is indicted again on the same charges. A4

CLINTONS

From page A1

claimed by the Clintons on subsequent income tax returns — was never paid to him, despite White House statements that it was.

Mr. McDougal apparently was referring to a \$9,000 deduction for interest payments by the Clintons on their personal tax return in 1980.

Mr. McDougal also asserts that most, if not all, of a \$30,000 loan taken out by Mrs. Clinton to build a modular sales home on a Whitewater lot was not repaid by the Clintons but by the Whitewater corporation. But the assets derived from the loan were sold by the Clintons at a profit.

In the confidential report, GOP investigators said that if the statements in the new transcripts attributed to Mr. McDougal are accurate, the Clintons could face serious tax liabilities. The president also could face conflicts-of-interest problems stemming from his tenure as governor and his state regulatory dominion over Madison.

Discussing the \$9,500 interest, Mr. McDougal said: "Well, you know on their tax returns, it's interesting that they show they paid \$9,500 in interest to me. Did you notice that? Well, they didn't, of course."

"They didn't pay me. They may have paid someone else. They have never paid me a penny's interest. They never owed me any money," Mr. McDougal said.

But in an interview with AP in January, Mr. McDougal said he recalled the Clintons making about \$9,000 in payments to him around that time.

White House senior adviser Bruce Lindsey told The Washington Times earlier this year — when the first 38 pages of the Mc-

Dougal-Nelson transcripts became public — that the Clintons did in fact pay the \$9,000 to Mr. McDougal in 1980 as reimbursement for interest payments made by Mr. McDougal on the loan to purchase the Whitewater property.

Mr. Lindsey, who has been assigned to answer questions on an ongoing federal investigation of Whitewater-Madison, did not return a call seeking comment yesterday.

On the matter of the \$30,000 loan "labeled Hillary Rodham" from the Bank of Kingston (Ark.) sometime in 1983 or 1984 to build the model home, Mr. McDougal said she never repaid it.

"OK, the property is in her name. ... All right, but remember, it's a corporate asset," Mr. McDougal said in the new statements transcribed from tape recordings of the conversation.

"They made no contribution toward the retiring of it [the loan]. It was entirely retired by the corporation. So you subtract that \$30,000," he said.

Mr. McDougal said the Clintons then extracted the assets.

"At the time the Clintons assumed control of the corporation, the loan had been paid down to about \$13,000," he said. "See? They sold a corporate asset — the modular home and the land it was situated on — and used the proceeds to retire the note. ... Apparently [they] kept the difference. So that's \$30,000 off."

The House GOP banking staff said in its memo: "If McDougal's statements above are true, they would appear to conflict with past statements made by the Clintons that they were 'passive investors' and lost large sums of money in Whitewater."

The Clintons have said they lost more than \$68,000 on the Whitewater land deal even though they never deducted such a loss.

Improperly Failed to Disclose S&L Link

By ALBERT R. KASE

WASHINGTON — The government's savings-and-loan cleanup agency suggested that the Rose Law Firm, where Hillary Rodham Clinton and several administration officials were partners, may have improperly failed to disclose its dealings with a failed Arkansas thrift.

The Resolution Trust Corp.'s contractor-oversight office listed several instances when the firm didn't disclose its past connections with Madison Guaranty Savings & Loan to the RTC and to the Federal Deposit Insurance Corp. The FDIC took over Madison in early 1989, and the RTC inherited the failed thrift when that agency was formed in August 1989. The FDIC and the RTC hired Rose to handle Madison-related affairs after the thrift failed.

The RTC report was dated Feb. 8 and made public after Sen. Alfonse D'Amato of New York, the ranking Republican on the Senate Banking Committee, commented on it during a hearing on the RTC's performance.

In a separate report last week, the FDIC said it hadn't found evidence that the Rose firm violated conflict-of-interest rules that were in force at the time. Testifying at the committee hearing yesterday, acting FDIC Chairman Andrew Hove said the agency's rules at the time covered only actual conflicts. "If we had dealt with the appearance of conflict, it is likely that the conclusion would have been different," he said. RTC disclosure rules, as well as the current FDIC ones, are tougher than the old FDIC rules.

The contractor office said the report was being given to the RTC's general counsel for any "appropriate" action. The matter probably will be handled by an RTC-FDIC legal-conflicts committee. That panel decides whether law firms that deal with either agency should be barred from further RTC or FDIC work for violating the agencies' rules.

Sen. D'Amato and other GOP senators on the Banking panel seized on yesterday's hearing as an opportunity to raise questions about the involvement of President and Mrs. Clinton, other administration officials and the Rose firm in the swirling controversy over Madison and Whitewater Development Corp., a real-estate company the Clintons invested in. Mr. D'Amato said the RTC did a better job on the Rose Law Firm issue than the FDIC did in its report.

Sen. Lauch Faircloth (R., N.C.), said the FDIC report sought to exonerate the Rose firm from serious conflicts involving Mrs. Clinton and Webster Hubbell, who was a Rose partner heading an FDIC case against Frost & Co., Madison's former accounting firm. Mr. Hubbell currently is the Justice Department's third-ranking official. Sen. Faircloth called the FDIC report "an eight-page plea of insanity," and Sen. D'Amato termed it "eight pages of sophomoric, legalistic mumbo jumbo" that don't "hold water."

The RTC report said that Rose didn't disclose that it previously had represented Madison before the Arkansas Securities Department in the S&L's attempt to gain approval for issuing stock and acting as a broker. The report also said that Rose didn't disclose that it had used a Frost audit of Madison's condition to support the stock authorization request before the securities agency. Rose filed a lawsuit on behalf of the agencies against Frost for a "defective" audit that failed to detect that Madison was insolvent, the RTC said.

Rose also didn't report that Seth Ward and Seth Ward II, Mr. Hubbell's father-in-law and brother-in-law, respectively, had filed suits against Madison, the RTC said. It said the FDIC later learned of the matter, but an FDIC attorney decided there wasn't a conflict.

Sen. D'Amato wasn't fully satisfied with even the RTC report. He successfully pressed the FDIC's Mr. Hove and Roger Altman, the deputy Treasury secretary and acting RTC chief executive, to agree to have the two regulatory agencies' inspectors general review how the agencies handled the Rose Law Firm issue.

Mr. Altman, a longtime friend of the

Clintons, responded to a barrage of GOP questions about how he told the RTC to handle the Madison case and any contacts he has had with the White House on the matter. He said repeatedly that his instructions were to follow "exactly identical procedures" to those used in any enforcement case.

Mr. Altman said he initiated the only meeting with White House officials early this month. He said he asked for the meeting with White House counsel Bernard W. Nussbaum and others after getting queries from members of Congress on how the RTC would handle the case. He said he thought the White House officials should be told that the statute of limitations on suing individuals involved in the Madison failure was to run out on Feb. 28, and that the RTC would either seek to extend the deadline or would file any lawsuits by that date. Congress has extended the statute for Madison and many other thrifts until the end of 1995.

THE WALL STREET JOURNAL FRIDAY, FEBRUARY 25, 1994

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The New York Times

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TO: BERNIE NUSSBAUM

FR: ROGER ALTMAN

(2 pages follow)

RTC North Central Region CLIP SHEET

X001347

Monday, March 9, 1992

Selected News Articles

Public Affairs

CLINTON DEFENDS REAL-ESTATE DEAL

Says He Lost at Least \$25,000
and Did Nothing Improper

By OWEN IFILL

Special to The New York Times

AUSTIN, Tex., March 8 — Gov. Bill Clinton of Arkansas said today that he and his wife, Hillary, did nothing improper when they entered a real-estate partnership with the owner of a savings and loan institution that was subject to state regulation.

Speaking to reporters as he campaigned through Texas today for votes in the Democratic Presidential primary on Tuesday, Mr. Clinton said that an article about the partnership in The New York Times on Sunday was misleading and that he and his wife lost more than \$25,000 in the joint venture.

"There was no impropriety," Mr. Clinton said of the partnership with his former aide James B. McDougal to develop land in the Ozarks.

Financial Exposure

The partnership began in 1975, when Mr. Clinton was Arkansas's Attorney General. "I was not yet Governor," he said today, and Mr. McDougal "was not in any financial institution."

"The article seems to imply that my wife and I had no financial exposure," he went on. "There's nothing could be further from the truth."

"We were jointly and severally liable for more than \$200,000 worth of debt," Mr. Clinton said. He termed the relationship "purely private investment" that was "nothing but a big money loser for me."

The Times article raised questions about the Clintons' relationship with Mr. McDougal and Whitewater Development, a corporation that planned to turn the 200 acres of Ozarks property into lots for vacation homes.

Records obtained by The New York Times were incomplete, but the article questioned the Clintons' involvement in the venture at a time when Mr. McDougal's savings institution, Madison Guaranty, was subject to regulation by the state securities commission.

The article also said that on their tax returns in 1984 and 1985 the Clintons improperly deducted at least \$5,000 in interest payments on bank loan payments that Whitewater made for them.

THE NEW YORK TIMES
March 9, 1992

Lawyers Agree To Pay Big Fine In S. & L. Case

By STEPHEN LABATON

Special to The New York Times

WASHINGTON, March 8 — A leading New York law firm today agreed to pay \$41 million to settle Government accusations that it had improperly withheld damaging information about its client, a large savings association whose failure has epitomized the savings and loan industry's disaster.

Shortly before settling the \$275 million lawsuit that the Government filed six days ago, lawyers at the firm, Kaye, Scholer, Fierman, Hays & Handler, insisted again that they did nothing improper in representing Charles H. Keating Jr. and his Lincoln Savings and Loan Association of Irvine, Calif. They were forced to settle, they said, by the Government's move to freeze the firm's assets, which put the firm perilously close to collapse.

The Government said this evening that the settlement would "assure that the firm's activities that gave rise to the case are never again repeated."

The quick settlement, in which Kaye, Scholer neither admits nor denies the Government's accusations, is expected to have a profound impact on a wave of lawsuits the Government is preparing to file in the next few weeks against lawyers, accountants and savings associations from scores of institutions seized in March 1989. The statute of limitations on those cases runs out this month.

"It is unlikely that it is the last time we will use such an order preserving assets," said Harris Weinstein, chief counsel to the Office of Thrift Supervision, the agency that regulates the savings industry and that filed the lawsuit along with the Justice Department. Freezing assets is a tactic that Government has traditionally reserved.

Continued on Page C5, Column 1

X001348

\$1,500 in taxes. Mr. Clinton said he and his wife were reviewing their tax records and would repay the amount, which his lawyer, Susan P. Thompson, described as an "honest error."

Before the Times article was published, the Clintons turned down requests for interviews, instead retaining lawyers to answer questions about the enterprise. The lawyers were interviewed for several hours in person and several hours by telephone and provided 15 to 20 documents.

In an interview in The Arkansas Democrat-Gazette today, Mr. McDougal was quoted as saying that the Clintons did nothing improper and that neither he nor his savings and loan got preferential treatment from state regulators.

In a separate statement at Mr. Clinton's news conference today, Sam

Heuer, Mr. McDougal's lawyer, said he was "appalled and affronted by the allegations and reckless disregard of the facts by The New York Times and its reporter, Jeff Gerth."

He said that any suggestion that Mr. McDougal used money from Madison Guaranty to subsidize the Clintons' portion of the joint partnership "is not only false but probably actionable by Mr. McDougal."

Mr. Heuer said in the statement that there was "no link between Whitewater Development Company and Madison Guaranty Savings and Loan."

The Times article cited records showing that in 1984, when Whitewater's account at Madison was overdrawn, money was deposited to make

up the shortage from Madison Marketing, an affiliate of the savings and loan that derived its revenue from the institution.

The article also called attention to Mr. Clinton's appointment of Beverly Bassett Schaffer, a lawyer in a firm that had represented Madison Guaranty, as State Securities Commissioner at a time when the institution faced possible closure by the state.

Today Mr. Clinton said his appointing Mrs. Schaffer was not a way of aiding Mr. McDougal. "I had no contact with her whatsoever on this and neither did my wife have any contact," the candidate said.

Mrs. Schaffer, in a statement also released by the campaign, concurred.

1450

THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

RTC *Matt*
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FAX COVER SHEET

Date : MARCH 24 1993
To : BERNIE NUSSBAUM
Fax # : 456-6279
From : Roger C. Altman
Number of pages - including this cover page 3
Message :

Please call 202/ 622-0402 if you do not receive all pages
Mr. Altman's private fax number is : 202/ 622-0404

RTC North Central Region CLIP SHEET

X001350

Monday, March 9, 1992

Selected News Articles

Public Affairs

CLINTON DEFENDS REAL-ESTATE DEAL

Says He Lost at Least \$25,000
and Did Nothing Improper

By GWEN IFILL

Special to The New York Times

AUSTIN, Tex., March 8 — Gov. Bill Clinton of Arkansas said today that he and his wife, Hillary, did nothing improper when they entered a real-estate partnership with the owner of a savings and loan institution that was subject to state regulation.

Speaking to reporters as he campaigned through Texas today for votes in the Democratic Presidential primary on Tuesday, Mr. Clinton said that an article about the partnership in The New York Times on Sunday was misleading and that he and his wife lost more than \$25,000 in the joint venture.

"There was no impropriety," Mr. Clinton said of the partnership with his former aide James B. McDougal to develop land in the Osarks.

Financial Exposure

The partnership began in 1978, when Mr. Clinton was Arkansas's Attorney General. "I was not yet Governor," he said today, and Mr. McDougal "was not in any financial institution."

"The article seems to imply that my wife and I had no financial exposure," he went on. "There's nothing could be further from the truth."

"We were jointly and severally liable for more than \$200,000 worth of debt," Mr. Clinton said. He termed the relationship "purely private investment" that was "nothing but a big money loser for me."

The Times article raised questions about the Clintons' relationship with Mr. McDougal and Whitewater Development, a corporation that planned to turn the 200 acres of Osarks property into lots for vacation homes.

Records obtained by The New York Times were incomplete, but the article questioned the Clintons' involvement in the venture at a time when Mr. McDougal's savings institution, Madison Guaranty, was subject to regulation by the state securities commission.

The article also said that on their tax returns in 1984 and 1985 the Clintons improperly deducted at least \$5,000 in interest payments on bank loan payments that Whitewater made for them.

THE NEW YORK TIMES
March 9, 1992

Lawyers Agree To Pay Big Fine In S. & L. Case

By STEPHEN LABATON

Special to The New York Times

WASHINGTON, March 8 — A leading New York law firm today agreed to pay \$41 million to settle Government accusations that it had improperly withheld damaging information about its client, a large savings association whose failure has epitomized the savings and loan industry's disaster.

Shortly before settling the \$273 million lawsuit that the Government filed six days ago, lawyers at the firm, Kaye, Scholer, Fierman, Hays & Handler, insisted again that they did nothing improper in representing Charles H. Keating Jr. and his Lincoln Savings and Loan Association of Irvine, Calif. They were forced to settle, they said by the Government's move to freeze the firm's assets, which put the firm perilously close to collapse.

The Government said this event that the settlement would "assure that the firm's activities that gave rise to the case are never again repeated."

The quick settlement, in which Kaye Scholer neither admits nor denies the Government's accusations, is expected to have a profound impact on a wave of lawsuits the Government is preparing to file in the next few weeks against lawyers, accountants and savings executives from scores of institutions seized in March 1989. The statute of limitations on those cases runs out month.

"It is unlikely that it is the last we will see such an order preserve assets," said Harris Weinstein, a counsel to the Office of Thrift Supervision, the agency that regulates the savings industry and that filed the lawsuit with the Justice Department.

Freezing assets is a tactic the Government has traditionally re-

Continued on Page C3, Column

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Extended Page

The deductions saved them some \$1,800 in taxes. Mr. Clinton said he and his wife were reviewing their tax records and would repay the amount, which his lawyer, Susan P. Thomason, described as an "honest error."

Before the Times article was published, the Clintons turned down requests for interviews, instead retaining lawyers to answer questions about the enterprise. The lawyers were interviewed for several hours in person and several hours by telephone and provided 18 to 20 documents.

In an interview in The Arkansas Democrat Gazette today, Mr. McDougal was quoted as saying that the Clintons did nothing improper and that neither he nor his savings and loan got preferential treatment from state regulators.

In a separate statement at Mr. Clinton's news conference today, Sam

Neuer, Mr. McDougal's lawyer, said he was "appalled and affronted by the allegations and ruthless disregard of the facts by The New York Times and its reporter, Jeff Gerth."

He said that any suggestion that Mr. McDougal used money from Madison Guaranty to subsidize the Clintons' portion of the joint partnership "is not only false but probably actionable by Mr. McDougal."

Mr. Neuer said in the statement that there was "no link between Whitewater Development Company and Madison Guaranty Savings and Loan."

The Times article cited records showing that in 1984, when Whitewater's account at Madison was over-

drawn, money was deposited to make up the shortage from Madison Mortgaging, an affiliate of the savings and loan that derived its revenue from the institution.

The article also called attention to Mr. Clinton's appointment of Beverly Beasant Schaffer, a lawyer in a firm that had represented Madison Guaranty, as State Securities Commissioner at a time when the institution faced possible closure by the state.

Today Mr. Clinton said his appointing Mrs. Schaffer was not a way of aiding Mr. McDougal. "I had no contact with her whatsoever on this and neither did my wife have any contact," the candidate said.

Mrs. Schaffer, in a statement also released by the campaign, concurred.

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State Venture

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the corporation included in one but the other of the two. The latter, it was said, was the one who had the money on hand at the end of 1933.

The year after acquiring the property, Mrs. Clifton sold it for \$27,500 in a sale where payments were to be made over time, records show. It is not clear who received the buyer's down payment of \$3,000. Mrs. Clifton, or the corporation, but Mrs. Thomsen said it was the corporation that took the loss on its books. A few years later, the buyer went bankrupt and stopped making payments, and then he died.

In 1938 Mrs. Clifton bought back the house from the estate of the original buyer. Records show that she paid \$10,000 and then resold the property a short time later for about \$21,000, after paying taxes. The Cliftons reported a capital gain on their 1939 tax year of \$1,000.

Mrs. Thomsen explained that the capital gain was small because, as part of the transaction, Mrs. Clifton had to pay off the corporation's remaining \$11,000 debt. The property, originally bought by Mrs. Clifton, was sold to the corporation for \$10,000, but the corporation's debt to her was \$11,000. The net result was a loss of \$1,000.

Accounting Department records show that during the period from 1933 to 1938, the Cliftons' tax returns were made by the Clifton Corporation, which was then owned by Mrs. Clifton. The corporation's check books, shown that Whitehead's, account at Madison was overdrawn in 1934 when the corporation was making payments on the Clifton loan. Money from Madison bank was deposited to help make up the shortage.

FAX TRANSMITTAL



Office of the General Counsel
DEPARTMENT OF THE TREASURY
1500 Pennsylvania Ave., N.W., Room 3000
Washington, DC 20220
Telephone: (202) 622-0287
FAX: (202) 622-2882

DATE: Feb. 3 1994TO: Mr. Bernie WeissbaumPAGES TO FOLLOW: 14FROM: Juan HansonSUBJECT: BTCAddressee FAX No.: 456-6279 Confirmation No.: 456-2632

Notes and Special Instructions:

**2128 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6060**

JAMES A. LEACH, WYOMING
 JAY CHERILLAND, FLORIDA
 KEVIN BUCKLEMAN, NEW JERSEY
 KEVIN GIBBETTE, KENTUCKY
 THOMAS REPPLE, PENNSYLVANIA
 RYAN REYTS, WISCONSIN
 ROBERT A. SANDERS, CALIFORNIA
 RICHARD H. SARTIS, LOUISIANA
 JOE SHELLEY, IOWA
 GARY THOMAS, WYOMING
 GARY JOHNSON, TEXAS
 JAMES R. PACEY, CALIFORNIA
 JOHN LINDELL, GEORGIA
 JOE KROLLMEIER, MINNESOTA
 ROY LARSON, NEW YORK
 JOE LARSON, NEW YORK
 SPENCER SACHS IN ALABAMA
 JOHN HUNTERSTON, CALIFORNIA
 MICHAEL CASTLE, DELAWARE
 PETER GORE, NEW YORK
 NORMAN SANDERS, VERMONT

I have high regard for your personal integrity, but as you know, from the beginning, it has been an awkward situation to have a presidentially appointed and confirmed officer of the Treasury Department also head an independent federal agency, the Resolution Trust Corporation (RTC). When this prospect was first suggested at the beginning of the Clinton Administration, it did

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Mr. Roger C. Altman
Page 2
February 3, 1994

not strike the Minority as overly unreasonable for a month or two given the fact that no RTC head had been selected.

However, it has been over a year since the Administration has been in office and it can only be described as structurally unseemly for a political appointee of an Executive branch department to make what are in effect, law enforcement decisions for an independent federal agency as they may touch upon the President.

Accordingly, I would urge that you request from the Department of Treasury's General Counsel and Ethics Office advice as to whether you, as interim CEO of the RTC, are obligated to recuse yourself from any decisions concerning the resolution of Madison Guaranty. Just as the special counsel law was designed to relieve the Attorney General from an ethical dilemma of being both chief law enforcement officer for the nation and chief legal advisor to the President in circumstances when the President or a high level Administration officer is the subject of investigation, so it would appear ethically questionable for a political appointee of the Department of Treasury to make decisions for an independent federal agency when the President may be implicated in enforcement and civil actions.

In this regard, it should be clear that the issue is not whether a presidentially appointed official can oversee an investigation involving the President. Rather the issue is that officials with this responsibility should be confirmed for the job with that particular accountability. As you will recall it was a political appointee confirmed by the Senate that issued a cease and desist order for engaging in conflicts of interest against the son of a former President.

As you know, despite your strong letter to the Chairman of the House Banking Committee recommending against extension, Congress last year extended the statute of limitations for civil lawsuits brought against S&L wrongdoers. As you pointed out in your most recent letter, this extension "has afforded the RTC an opportunity to investigate further any civil claims which may be asserted against individuals or entities associated with Madison Guaranty for fraud, intentional misconduct resulting in unjust enrichment, or intentional misconduct resulting in substantial loss to the institution." Given, however, the impending running of the statute of limitations for certain kinds of actions, time is clearly of the essence for the RTC to make judgments about civil accountability in the failure of Madison.

Finally, I would like to reiterate my request, pursuant to Rules X and XI of the House Rules for all documents related to Madison Guaranty Savings and Loan, Little Rock, Arkansas. As you know,

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Mr. Roger C. Altman

Page 3

February 3, 1994

on December 9, 1993, I wrote the RTC requesting access to all documents related to Madison Guaranty and its subsidiaries.

House and Committee Rules, House practices, and judicial precedent support the proposition that the Ranking Minority Member is the functional counterpart to the Chairman for Committee action. This being the case, a request for documents made by the Ranking Minority Member has parallel standing with a request made by the Chairman of the Committee. The Ranking Minority Member clearly has a voice in the process and is entitled to information that will enable the Ranking Minority Member to carry out his constitutionally mandated oversight responsibilities.

Therefore, the courtesy of a definitive reply to this document request is requested by 12 noon, Monday, February 7, 1994. On this matter, it is urged that you also consult with the Ethics Office as to the relevance of the previously discussed recusal issue.

Again, let me stress that to the degree a conflict situation may exist in this matter in no way reflects on your personal integrity. It is simply an awkward circumstance in contrast to a personal embarrassment.

Sincerely,



JAMES A. LEACH
Ranking Member

JAL:gp

Enclosure

X001359

MEMORANDUM

TO: Congressman Leach
FROM: Banking Minority Staff
RE: Madison Guaranty ("Madison")

In reviewing documents related to Madison in the possession of Minority Banking, we have come across material which may indicate direct payment of a loan of Bill Clinton's by Madison through a subsidiary.

Since the Minority's investigation is concerned with the possible misuse of federally insured funds to assist Whitewater and/or the former Governor, we thought we should share the following information with you.

SUMMARY

Based on documentary evidence available to the Minority, it appears that Madison Marketing served, in at least one instance, as a conduit of funds from Madison Guaranty to Whitewater and Governor Clinton. If this is correct, it would appear that insured funds from the failed Madison Guaranty were diverted and directly benefitted the Governor and his investment in Whitewater, a claim Clinton had denied.

DOCUMENTATION

- In 1983, Bill Clinton obtained a loan from Security Bank of Paragould, Arkansas for approximately \$20,800 (loan #975-585, Bill Clinton). The money from this loan was used to pay off the remaining balance of a loan at Madison Bank and Trust of Kingston, Arkansas that was provided for the purpose of constructing a modular home on lot #13 at Whitewater Estates. The loan at Madison Bank was provided in 1980 to Hillary Clinton in the amount of \$30,000.
- On November 8, 1985, James McDougal sent a letter accompanied by a check to Charles Campbell, Vice President of Security Bank of Paragould, for \$7,322.42. The letter from McDougal states that the check is principal and interest payment on "Note #957-585, Bill Clinton." [Note: It appears that the loan number is a typographical error with the superimposing of numbers 5 and 7 in the first three digits.]

X001360

(2)

- The check McDougal enclosed with his letter to Mr. Campbell is a Whitewater Development Corporation check dated November 7, 1985. The loan number referenced on the memo portion of the check is "Note #975-585."
- According to the check ledgers for the Whitewater Development Corporation (WDC), the corporation's checking account had the following balances: \$189.50 on 10-10-85; and, \$11.49 on 10-31-85. However, in order to cover the payment of \$7,322.42 on the Clinton loan, a deposit is recorded on November 8, 1985 in the amount of \$7,500.00. The deposit is listed as coming from "Madison Marketing."
- A 1986 Federal Home Loan Bank Board exam gives the impression that Madison Marketing was largely a sham corporation used to divert federally insured resources to insiders. The exam notes that "Until 1986, Susan McDougal owned Madison Marketing." The report also states the following:

"Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,532,000."

"Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work ... appears to be performed by others. It would appear that Madison Guaranty could have an employee perform similar work for much less money."

"Mr. Latham [an officer of Madison] stated that Madison Marketing made no payments to any stockholders. This statement is false. As part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal [a large stockholder of Madison] which total \$50,000. This was a test, and there may be additional payments."

CONCLUSION

Given the above circumstances, it would appear that federally insured deposits (i.e., funds from Madison Guaranty through Madison Marketing), which, with the later failure of Madison became, in effect, taxpayer obligations, were transferred for the direct personal benefit of the former Governor.

The above payment also raises the question of whether Whitewater

(3)

was treated as an affiliate or related interest of Madison Guaranty and therefore subject to conflict of interest statutes. From a legal perspective, it could be argued that the McDougals' controlling interest in Madison Guaranty and their substantial ownership interest in Whitewater could qualify Whitewater as an "affiliate" of Madison Guaranty. Even if Whitewater is not considered a subsidiary, related interest, or affiliate of Madison Guaranty, such an extension of funds to a presumably "unaffiliated" entity would be very unusual and suspect.

It has been publicly reported, with respect to this loan repayment, that both Whitewater and the Clintons took a tax deduction related to interest paid on the same loan -- which the Clintons later recognized as improper double deduction after an article ran in the New York Times. What remains unclear is the larger question of whether the funds provided by Madison to reduce the Clinton's liability were proper or properly reported as income for income tax purposes.

As you know, we have received broad hints from within the RTC that the agency has had under review money transfers from Madison to Whitewater. We will not know whether this type of activity was more pervasive and part of a larger pattern unless, and until, the agency provides us the documents we have requested. If Madison provided any direct or indirect assistance to Whitewater, presumably half the value of such would redound to the advantage of each of the half owners. In any regard, the above money transfer underscores that then Governor Clinton had personal liabilities reduced by a payment from Madison. Such payment presumably carries ethical as well as tax implications and is part and parcel of the \$47 to \$60 million estimated taxpayer loss at Madison.

Attachments

1463

X001362

Bank

P.O. BOX 670

PARAGOULD, ARKANSAS 72450

501-239-9971

September 30, 1983

Governor Bill Clinton
1800 Center
Little Rock, AR 72205

Dear Governor Clinton:

Enclosed is a copy of our check #12677 in the amount of \$20,800.00 representing the proceeds of your note. The original was mailed to: Madison Bank & Trust, Kingston, Arkansas.

Sincerely,

Charles D. Campbell

Charles D. Campbell
Vice President

CDC/Lam



Security Bank

P. O. BOX 670
PARAGOULD, ARKANSAS 72450

PAY

Nº 12677

9-30

83

01-02-041

TO THE
ORDER OF: Madison Bank & Trust

208

\$ 20,800.00

NOT NEGOTIABLE

OR loan proceeds for Gov. Bill Clinton

100841008191

2725-8512

1464

X001363

JIM McDOUGAL

P. O. Box 1583
Little Rock, Arkansas 72203
November 8, 1985

Handwritten:
J. Mc Dougall
copy

Mr. Charles D. Campbell
Vice President
Security Bank
P. O. Box 670
Paragould, Arkansas 72450

Re: Note #957-585, Bill Clinton

Dear Mr. Campbell:

Enclosed is a White Water Development Corporation check for \$7,322.42, representing principal payment of \$5,000 and interest payment of \$2,322.42, on the above note.

Thank you for your attention to this matter.

Sincerely,

Handwritten signature: Jim Mc Dougall
Jim McDougal

JM/ss
Enc

X001364

| | | |
|---|--|--|
| WHITE WATER DEVELOPMENT CORPORATION, INC. 3700 CANTRELL, SUITE 302 LITTLE ROCK, ARKANSAS 72202 | | 000145 01-7012/2041 |
| DATE TO THE ORDER OF <u>Security Bank of Paragould</u> <u>11-7-1985</u> | | <u>97,322.41</u> |
| DOLLAR <u>Seven thousand three hundred twenty two and 41/100</u> | | DOLLAR |
| FOR <u>Medison County</u> <u>Arkansas-Grandview-Highway</u> <u>60000</u> | | <u>James B. McDaniel</u> |
| FOR <u>Net # 925-575</u> <u>Am. 5000</u> <u>11-7-85</u> | | <u>000145</u> <u>42841741921</u> <u>2 306 515P</u> |

Account
notation on
check is ~~not~~ correct
for notation on
check -

X001365

This is the

white
water check
legit

Drawn on Madison

| | | | | | |
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| 000143 | | BAL DUE DUE | | 3 | 59 |
| 10-10 9-30-45 | | 10-10 | | 4 | 57 |
| Thompson Yarn | | | | | |
| 10-10-45 | | | | 285 | 13 |
| FOR | | | | | |
| TOTAL | | | | 289 | 50 |
| AMOUNT THIS CHECK | | | | 100 | 00 |
| BALANCE | | | | 189 | 50 |
| 000144 | | | | | |
| 10-14-10-45 | | | | | |
| to James Anderson | | | | | |
| James County Collection | | | | | |
| FOR 100.00 + penalty for | | | | | |
| white water check | | | | | |
| TOTAL | | | | | |
| AMOUNT THIS CHECK | | | | 177 | 60 |
| BALANCE | | | | 11 | 90 |
| 10-14-45 | | | | | 57 |
| 10-14-45 | | | | 12 | 49 |
| 000145 | | | | | |
| 11-7-10-45 | | | | | |
| to Security Bank of | | | | | |
| Lancaster | | | | 7500 | 00 |
| FOR 100.00 + 92.50 | | | | | |
| Interest \$5,000.00 | | | | | |
| Interest \$5,000.00 | | | | 7512 | 49 |
| TOTAL | | | | 7512 | 49 |
| AMOUNT THIS CHECK | | | | 7512 | 49 |
| BALANCE | | | | 190 | 07 |

X001366

220.

FILED

IN THE CIRCUIT COURT OF POLK COUNTY, ARKANSAS
SECOND DIVISION

MAR 14 1991

MAR 14 1991

NADISON GUARANTY SAVINGS AND
LOAN ASSOCIATION, a State
Chartered Savings and Loan;
NADISON FINANCIAL CORPORATION,
a wholly owned subsidiary of
Nadison Guaranty Savings and
Loan Association.

Plaintiffs.

vs.

No. 88-1193

FRONT COMPANY, an Arkansas
Professional Association, and
its directors James Alford,
Michael Robinson, Gary Gory,
Gaines Horton, Tim Gibson,
Steve Humphries, Alan Duncan,
Frank Butts, Marjorie
Itzhakowitz, John Ross A.
B. C. D.

Defendants.

FIRST AMENDED COMPLAINT

COMES NOW, Plaintiffs, and for cause of action states
follows:

1

FACTS

1. Plaintiff Nadison Guaranty Savings and Loan Associa-
(hereinafter, Nadison Guaranty) is a state savings &
association duly chartered under the laws of the State
Arkansas. Plaintiff Nadison Financial Corporation (hereinafter
Nadison Financial) is a state chartered corporation and is
owned subsidiary of Nadison Guaranty.

2. Defendant Front Company is a professional account-
ing partnership of public accountants with its principal place
business in Little Rock, Arkansas, comprised of the following
individual partners who are set forth as Defendants in para
3.

3. Defendants James Alford, Michael Robinson, Gary
Gaines Horton, Tim Gibson, Steve Humphries, Alan Duncan,
Butts, Marjorie Itzhakowitz, John Ross A. B. C. D. are directors

X001367

7. John Latham at all relevant times was the President and Chief Executive Officer of Madison Guaranty and a member of its Board of Directors; and a member of the Board of Directors and the Secretary of NPG.

8. Susan McDougal was at all relevant times wife of James S. McDougal, member of the Board of Directors of Madison Guaranty, President of Madison Real Estate, a division of NPG, and President of Madison Marketing, a service provider to Madison Guaranty and NPG.

9. Madison Real Estate was a real estate brokerage operator owned and operated by Madison Financial with its principal broker, Susan McDougal.

10. Madison Marketing was an advertising agency through which Madison Financial and Madison Guaranty purchased all of its advertising for itself and NPG's real estate developments.

11. Jim, David and Bill Hanley ("Hanley Brothers") were real estate agents and/or developers for Madison Real Estate, who sold property and received substantial commissions and/or development fees from Madison Financial.

12. Frost & Company purported to serve as independent auditor of Madison Guaranty and its consolidated subsidiary Madison Financial for the years 1984 and 1985.

13. James B. Alford at all relevant times was the audit consulting partner of Frost & Company in charge of the Madison Guaranty audit.

14. Federal Home Loan Bank Board ("FHLBB") is the primary federal regulator of Madison Guaranty. FHLBB has oversight of Federal Home Loan Bank of Dallas which has direct supervisory responsibility for Madison Guaranty.

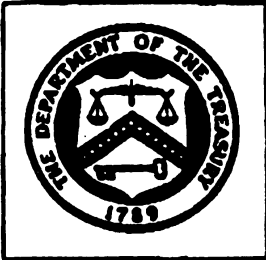
IV

LEGAL AND AUDITING FRAMEWORK

15. This action arises from Frost & Company's breach of duty and agreement to provide professional services in that defendant Frost & Company violated Generally Accepted Audit Standards ("GAAS") in connection with its audits of, and op:

X001368

FAX TRANSMITTAL



Office of the General Counsel
DEPARTMENT OF THE TREASURY
1500 Pennsylvania Ave., N.W., Room 3000
Washington, DC 20220
Telephone: (202) 622-0287
FAX: (202) 622-2882

DATE: Feb. 3, 1994TO: Mr. Berni HessebaumPAGES TO FOLLOW: 2FROM: Jean HansonSUBJECT: BTCAddresses FAX No.: 456-6379 Confirmation No.: 456-2632

Notes and Special Instructions:

These last 2 pages are legal size.
call my office if they do not go through.

X001369

Docket No. 7401

most of the commissions paid by Madison Financial to Madison Real Estate, which significantly derives all of its business from Madison Financial.

comment
Many of the sales, which generated these commissions, were to McDougal-Menley Group members who are acting as straw buyers. Madison Guaranty essentially retained the risks of ownership on these transactions because it fully financed these sales including the cash sales commissions. Thus, Madison Guaranty's position deteriorated because it retained the same ownership risks as before, but paid cash fees to these individuals. In addition, fees paid through Madison Real Estate were used as down payments in some of the straw-land purchases in an apparent attempt to disguise 100% funding of the purchase by Madison Guaranty and its subsidiaries.

Notes. McDougal and Latham cited an April 24, 1985 letter from a Federal Home Loan Bank of Dallas Supervisory Agent as permission to pay real estate sales commissions to Madison Real Estate. However, this letter in part, asks that the Board of Directors review Insurance Regulation 571.7 which is cited above in this comment.

2. Madison Marketing

Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,537,000. Until February 1986, Susan McDougal owned Madison Marketing. During a portion of this time, it was a corporation which was incorporated by Lisa Aunsbaugh, reportedly a close friend of Susan McDougal.

Mr. Latham stated that after February 1986, Madison Marketing became an entity "d/b/a (doing business as)" for Madison Financial and ceased to be a corporation. However, it is not registered as a "d/b/a" in the County records. Also, its checking account has never been recorded on the books of Madison Financial.

Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work of advertising, such as the design and production of commercials and providing air time or newspaper space, appears to be performed by others. Madison Marketing apparently just pays the bills of other providers and adds a 15% fee of its own. Examiners estimated this fee to be approximately \$200,000 since 1983. It would appear that Madison Guaranty could have an employee perform similar work for much less money.

X Mr. Latham stated that Madison Marketing made no payments to any stockholders. This statement is false. As a part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal which total \$50,000. This was a test, and there may be additional payments.

3. Designer's Construction

See on this

Designer's Construction performs construction work on some of the land development projects and on some of the property securing Madison Guaranty loans. In 1983 and to date in 1986, \$247,000 was paid for work performed for Madison Guaranty and its subsidiaries. The amount of loan proceeds paid to Designer's Construction on work for third party borrowers is unknown. Designer's Construction appears to be a

X001371

FEDERAL HOME LOAN BANK BOARD
OFFICE OF EXAMINATIONS AND SUPERVISION

Name and Address of Institution MADISON GUARANTY SAVINGS AND LOAN ASSOCIATION

1501 MAIN STREET. LITTLE ROCK. ARKANSAS 72203

District Number NINE Docket Number 7601

Examination as of (date) MARCH 4, 1986

Service Corporations and Other Affiliates Examined:

MADISON FINANCIAL CORPORATION

REPORT OF EXAMINATION

Prohibition of Disclosure or Release

NOV 15/2 Extended Page 3.1
X001372

This document is the property of the Federal Home Loan Bank Board and is furnished to the institution for its confidential use. Under no circumstances shall the institution, or any of its directors, officers, or employees, disclose or make this document or any portion of it public in any manner.

If a subpoena or other legal process is received calling for production of this document, the District Director - Examinations should be notified immediately. The attorney at whose instance the process was issued, and, if necessary, the court which issued the process, should be advised of the above prohibition, and referred to Part 305 of the General Regulations of the Federal Home Loan Bank Board.

Directors, in keeping with their responsibilities, should review this report thoroughly. This report should not be considered an audit report.

REDACTED BERNARD W. NUSSBAUM X001373

1993 September

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
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| | | | 6:45pm Whose Briefing | | | |

August

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October

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| 30 | 31 | | | | | |

lated: 2/17/94 11:00a.m.

REDACTED

BERNARD W. NUSSBAUM

X001374

1993 October

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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1476

X001375

| Telephone Log for BERNARD NUSSBAUM | | Page #: 1 |
|--------------------------------------|---|---------------|
| Telephone Calls from HANSEN JEAN | | |
| 02/03/94 11:05 AM | HANSEN JEAN TREASURY Ph #: (202) 622-0287 Home: Other: Car: Fax: | |
| <input type="checkbox"/> Answered | | |
| | | Taken By: TOM |

1477

X001376

| Telephone Log for BERNARD NUSSBAUM Telephone Calls from ALTMAN ROGER | | | Page #: 1 |
|---|--|---|-----------|
| 02/24/94 4:40 PM | ALTMAN ROGER Ph #: (202) 662-1070 Home: Other: Car: Fax: | no msg just wants to speak with him. Taken By: TRIPP | |
| <input type="checkbox"/> Answered | | | |

1478

THE WHITE HOUSE
WASHINGTON

X001377

September 20, 1993

Dear Senator Bumpers:

Thank you for your letter concerning the Resolution Trust Corporation's ("RTC's") litigation policies on professional liability suits. You have raised important issues that need to be addressed by the Chief Executive Officer ("CEO") of the RTC.

I understand that Roger Altman, in his capacity as interim CEO of the RTC, will be responding directly to you.

Please let me know if I can be of further assistance.

Sincerely,

Bernard W. Nussbaum
Counsel to the President

The Honorable Dale Bumpers
Chairman
Committee on Small Business
428A Russell Senate Office Building
Washington, D.C. 20510

cc: Roger C. Altman

C O P Y
from ORM

THE WHITE HOUSE
WASHINGTON

Dear Cheryl,

Attached is the
Bumpers - RTC letters

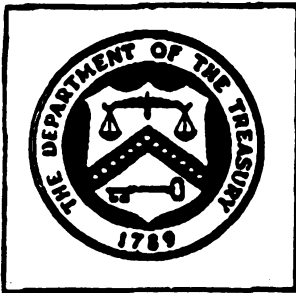
The author, Dan Cooke,
can be reached at
622-1926.

Carlos

1480

FAX TRANSMITTAL

X001379



Office of the General Counsel
DEPARTMENT OF THE TREASURY
1500 Pennsylvania Ave., N.W., Room 3000
Washington, DC 20220
Telephone: (202) 622-0287
FAX: (202) 622-2882

FROM: Dan Cooke

DATE: 8/14/91

PAGES TO FOLLOW: 4

TO: CARLOS WATSON

SUBJECT: Bumper Response 622-1926

Addressee FAX No.: 456-1647 Confirmation No.: _____

TEL. 456-1672

Notes and Special Instructions:

X001380

to: Carlos Watson Department
of the Treasury
room: WH date: 8/18/93 Departmental
Offices
Office of the
General Counsel

Carlos:

One Treasury signature can take quite a while. Sorry! Enclosed please find the signed letter from Mr. Altman to Senator Bumpers as well as a proposed response for Mr. Nussbaum to send to Senator Bumpers.

I apologize for the delay in getting this to you. It took a while to get the Altman letter approved here at Treasury. Please let me know if there is anything I can do to help you.

Sincerely,

Dan Cooke
622-1926

room
phone

**RESOLUTION TRUST CORPORATION**Resolving The Crisis
Restoring The Confidence

X001381

August 18, 1993

By Hand

The Honorable Dale Bumpers
Chairman
Committee on Small Business
428A Russell Senate Office Building
Washington, DC 20510

Dear Dale,

Way back in fourth or fifth grade, I sometimes told my teacher that the family dog ate my homework. It wasn't a particularly effective response, but I always figured that it was better than nothing.

Well, the RTC dog apparently ate your letter of several months ago on the agency's standards for pursuing professional liability claims against directors and on its general litigation policies. Unfortunately, it just now came to my attention that you did not get a response, and I apologize. That should never happen.

I share your opinion that the RTC needs to review its policies on the initiation and pursuit of professional liability litigation. The Secretary of the Treasury, in his capacity as Chairman of the Thrift Depositor Protection Oversight Board, has committed to review and recommend improvements in the organization and staffing of the Professional Liability Section of the RTC as part of his nine-point plan for the agency. I believe a feature of that review process should include consideration of the standards used by the Legal Division to determine when to pursue liability claims against directors specifically and the extent to which litigation should be initiated and pursued generally. Stanley Tate, our nominee for RTC CEO, also feels strongly in these directions.

If he is confirmed by the Senate, he will pursue this matter vigorously. As you are no doubt aware, the negligence standard

X001382

- 2 -

has become an issue in the RTC funding bill. We obviously need to wait and see how the bill addresses this issue, but I do not believe we should wait for the bill to strengthen the policy used to initiate and pursue all claims.

The RTC is currently completing the first stage of this review and is collecting information relating to this issue from its own records, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision in response to a request from Representative Henry B. Gonzalez. I will keep you informed as this matter develops. Again, please accept my apologies for the delayed response.

Sincerely,



Roger C. Aitman
Interim Chief Executive Officer

X001383

The Honorable Dale Bumpers
Chairman
Committee on Small Business
428A Russell Senate Office Building
Washington, DC 20510

Dear Senator Bumpers:

Thank you for your letter concerning the Resolution Trust Corporation's ("RTC's") litigation policies on professional liability suits. You have raised important issues that need to be addressed by the Chief Executive Officer ("CEO") of the RTC.

I understand that Roger Altman, in his capacity as interim CEO of the RTC, will be responding directly to you.

Please let me know if I can be of further assistance.

Sincerely,

Bernard Nussbaum
Counsel to the President

cc: Roger C. Altman

ID # 027916 CU

X001384

**WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**

☐ OUTGOING☐ INTERNAL☒ INCOMING

Date Correspondence Received (YY/MM/DD) 11/07/14

COPY

Name of Correspondent: Sen. Pat Roberts

☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: The suit of RTA litigation - certain returned cases

ROUTE TO:

ACTION

DISPOSITION

| Office/Agency | Staff Name | Action Code | Tracking Date YY/MM/DD | Type of Response | Code | Completion Date YY/MM/DD |
|---------------|------------|----------------|------------------------|------------------|------|--------------------------|
| CU | NIASS | ORIGINATOR | 11/07/14 | | | 1/1 |
| 1 CU | ATOS | Referral Note: | 13/07/15 | | | 1/1 |
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ACTION CODES:

A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Post Sheet to be used as Enclosure

I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:

A - Answered
B - Non-Special Referral
C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments:

RL/arg/

Can you prepare a response to this letter?

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

SCANNED

1524

027916 cu

THE WHITE HOUSE
WASHINGTON

X001423

JULY 7, 1993

MEMORANDUM

TO: BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT

FROM: VINCENT W. FOSTER ✓
DEPUTY COUNSEL TO THE PRESIDENT

SUBJECT: LETTER FROM SENATOR BUMPERS REGARDING RESOLUTION
TRUST CORPORATION, MAY 26, 1993

As you will note, I was copied on the letter from Senator Bumpers to Roger Altman and you concerning director-negligence cases by the Resolution Trust Corporation. I am recused from participating in any consideration of this letter. My former law firm represented the RTC in certain director-negligence cases in Arkansas. In addition, Senator Bumpers includes a letter received from Seth Ward. For your information, Mr. Ward is the father-in-law of Associate General Webb Hubbell who, as you know, was also a member of my former law firm.

X001386

DALE PLATTEN ARKANSAS CHAIRMAN
 SAM BAKER GEORGIA
 CARL LEVIN MICHIGAN
 TED KENNEDY MASS
 JOHN F. KERRY MASSACHUSETTS
 JESSE H. HELMANN CONNECTICUT
 PAUL DAVID WHITEHOUSE RHODE ISLAND
 CARLOS TORRES L. WYOMING
 MARJORIE MATHIAS ALABAMA
 PHILIP B. LANDRUM NEW JERSEY
 HERB ROMAN MISSOURI
 CARL ROBERTSON ALABAMA
 LARRY FORTNA SOUTH CAROLINA
 CHARLES WALKER IOWA
 CHRISTOPHER J. DODD CONNECTICUT
 DONALD RUMSFORD IOWA
 CORMAC BACH FLORIDA
 PAUL GONZALEZ GEORGIA
 DON GORDONNE CALIFORNIA
 ROBERT F. DUNNETT UTAH
 JOHN H. CHAPPEL MISSISSIPPI

JOHN D. BAKER STAFF DIRECTOR
 THOMAS G. HENNINGHAM SENATE STAFF DIRECTOR

United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6380

May 26, 1993

The Honorable Roger Altman
 Chief Executive Officer
 Resolution Trust Corporation
 801 17th Street, N.W., Suite 1001
 Washington, D.C. 20434-1001

Bernard Nussbaum
 Counsel to the President
 The White House
 Washington D.C. 20500

Dear Roger and Bernard:

I am writing to ask that you and others in the Administration review government policies with regard to litigation by the RTC of so-called director-negligence cases, as well as RTC's litigation policies generally. A number of the cases which have been brought to my attention seem to be both stale and of very questionable merit.

My concern is partly prompted by a recent jury verdict in the Western District of Arkansas in favor of several well-known Fayetteville businessmen who were directors of First Federal Savings and Loan of Fayetteville. I know most of these men well, and the case is summarized by a letter I received from one of the defense lawyers which is enclosed.

Please understand that I do not question in the least that the government should pursue aggressively any case where there is evidence of fraud or self-dealing by the directors and officers of a failed savings and loan. However, as a one-time Arkansas trial lawyer of some experience, I can tell you that cases such as this, based purely on negligence, are difficult to win. This is especially so when the allegations are many years old and when the government is the plaintiff.

Most states have negligence statutes of limitation of two or three years, and for good reason: witnesses' recollections beyond that point are very unreliable. Congress has extended the statute for these cases, although I recently voted against a further extension. Any negligence case ten years old is virtually impossible to prove because the witnesses' memories have entirely faded.

Based on some of the complaints which have been filed lately, it appears that RTC's litigators are trying to make themselves look aggressive. Some of the legal fees are enormous, and I honestly believe some cases are filed for pure settlement value.

Messrs. Altman and Nussbaum
May 26, 1993
Page Two

X001425

Also enclosed is a letter I received from Seth Ward regarding rather voluminous litigation between him and RTC which was essentially a collateral attack on a state court judgment which Seth had won for breach of contract against Madison Guaranty Savings and Loan. As you will see, that case must have set some kind of record for the amount of lawyers' and judges' time consumed.

I would appreciate your reviewing the enclosed letters regarding RTC v. Eason et al., and Ward v. RTC and relates cases. Of course, I have no view whether the government's appeal in Eason is well-founded as a matter of law. However, knowing these defendants and seeing what short shrift the jury gave to the government's case after a six-day trial gives me some concern about the overall litigation policy.

I look forward to hearing from you.

Sincerely,

Dale Bumpers

DB/jwbr

Enclosure

cc: Vince Foster ✓
Mack McLarty
Bill Kennedy

DAVIS, COX & WRIGHT

ATTORNEYS AT LAW

P. O. DRAWER 1000

FAYETTEVILLE, ARKANSAS 72702-1000

X001426

HERNEY P. DAVIS JR.
WALTER S. COE
TILDEN P. WRIGHT III
CONSTANCE S. CLARK
WIL JACKSON BUTT II
KELLY CARTWRIGHT
TIM S. HOWELL
BOB A. TAYLOR
PAUL E. TAYLOR
JOHN D. NICHOLES

10 EAST MOUNTAIN STREET

TELEPHONE
504-621-7000
TELEFAX
504-621-7001

May 12, 1993

RE: RTC v. Eason
United States District Court for
the Western District of Arkansas
Case No. 92-5033

Honorable Dale Bumpers
United States Senator for
the State of Arkansas
229 Dirksen Building
Washington, D.C. 20510

Dear Senator Bumpers:

The efforts of the United States Government to recover the losses of its insuring agencies arising from the savings and loan debacle have been in the courts for several years now. The first wave of litigation was to put the crooks in jail; the second wave of litigation was to recover from those who had committed fraud and self-dealing; the third wave of litigation has become a political hot potato, and this letter will address a very direct and negative impact that such litigation has on your constituents. I am sure that among the concerns of your office are the practicality, fairness and financial viability of the RTC efforts. This letter is to provide you with firsthand information in that regard.

I represent five directors of the failed First Federal Savings and Loan of Fayetteville. These directors are Al Eason (who founded the institution in 1953), Joe Upchurch, Dr. Warren Murry, Fred Robinson and Rex Smith. These gentlemen, all now in their sixties, seventies and eighties, established through decades of living and working in Northwest Arkansas unquestionable reputations as competent and successful businessmen, honest citizens and community leaders and volunteers.

They coped as best they could with the crisis and decimation of the savings and loan industry that began with runaway inflation and deregulation in the late 70's and early 80's, and concluded with the collapse of the commercial real estate market and oil industry in the late 1980's - all of which were beyond the control and

X001415

Senator Dale Bumpers
May 12, 1993
Page 2

foreseeability of savings and loan officers and directors.

In this crisis, First Federal of Fayetteville lost several millions of dollars. Because of a statutorily extended statute of limitations, the federal government had until early 1992 to sue these directors for loans (and alleged negligence) by them in the early 1980's.

In March, 1992, three years after the RTC had seized their institution and their officers and directors insurance policies had lapsed, and almost a decade after the alleged acts of negligence had occurred and when all of these men were on the verge of or well into retirement, they were sued for eight million dollars.

One year later, after they had paid hundreds of thousands of dollars of legal fees out of their own pockets, suffered terrific fear and uncertainty as to their financial security and a 6 day jury trial, the jury returned a very quick verdict of no liability.

The RTC refused to discuss settlement because of certain "formulas" they alluded to but of which we were not apprised. Though the RTC's case survived pretrial motions to dismiss and motions for summary judgement, and motions at trial for judgment as a matter of law, it was by the scantest thread at each occasion. The jury made short work of the threadbare factual issues. While the case apparently does not justify sanctions under the federal rules for being completely spurious, it has not only been devastating to these mens' lives and financial situations merely to defend the suit, it has created great concern of those who are presently on the boards of our local businesses and financial institutions that they, a decade hence, can be dragged into court to answer for any conceivable loss that, in hindsight, arguably shouldn't have occurred.

The RTC has now filed a timely notice of appeal, prolonging the costs and trauma to my clients. Obviously, they must and will see this through by the legal process and I am certain of final vindication. The RTC's grounds for appeal are as weak as tap water. Nevertheless, since our vindication, I have been contacted from counsel throughout the United States whose clients are facing these same allegations. This third wave of litigation, suing directors years and years later for alleged negligence in making decisions which were, at the time, the best and only decisions that could be made in a crisis, may create a minimally sustainable legal question, but it is beyond the boundaries of what is politically right and economically practical in picking up the shreds of the failed savings and loan industry.

Thank you for your consideration in these matters, and I would be

X001428

Senator Dale Bumpers
May 12, 1993
Page 3

eager to provide you further information in this regard.

Sincerely,

DAVIS, COX & WRIGHT

Wm. Jackson Butt II
Wm. Jackson Butt II

WJB:lk

cc: Al Eason
Rex Smith
Joe Upchurch
Warren Murry
J.F. Robinson
Margaret Robinson Walker

X001391

DAVIS, COX & WRIGHT

ATTORNEYS AT LAW

P. O. BOX 1000

FAYETTEVILLE, ARKANSAS 72701-1000

393 MAY 17 PM 1:58

HENRY S. DAVIS JR.
 WALTER S. COX
 TERRY P. WRIGHT JR.
 CHRISTIAN C. CLARK
 WILSON J. BRYANT JR.
 KELLY CARPENTER
 TIM B. HOWELL
 BOB A. TAYLOR
 PAUL E. TAYLOR
 JOHN S. HICKS

10 EAST MOUNTAIN STREET
 TELEPHONE
 504-760-7000
 TELETYPE
 504-760-7001

May 11, 1993

Re: RTC v. Eason, and the
 Directors of First Federal
Savings and Loan of Fayetteville

Mr. Lance Stockwell
 Attorney at Law
 800 Oneok Plaza
 100 West 5th Street
 Tulsa, OK 74103-4216

Dear Lance:

We have received the RTC's Notice of Appeal. Over and above the normal disappointment that arises when a case is won and the loser appeals, this appeal is particularly frustrating and perplexing.

As a taxpayer, I see my tax dollars being wasted on this case. It is obvious in hindsight that the inherent weakness of the government case was aggravated by its not properly preparing its damages issue, and that prior to filing it did not have, and during case preparation could not develop, a presentable expert on the matter of liability.

When my partner, Sid Davis, was assisting our clients in responding to the pretrial subpoenas, he had the promise of RTC attorney Neysa Day that the government had not made a decision whether the merits of this case justified filing it. It was disappointing to receive, within hours of our response to the subpoena, a comprehensively pleaded lawsuit filed against our clients. Again, hindsight reflected that ten years after these loans were made the government was running out of time to file suit, not that it had made any carefully considered decision as to the merits of this lawsuit. We believe that Neysa Day lied to us, and that her actions throughout this trial have reflected poor practical, legal, financial and moral judgment.

After you deposed Al Eason, I think it was obvious to you that Mr. Eason was an honest and competent savings and loan officer and there was no fraud or self dealing. It also became obvious to the RTC early on that there was no insurance coverage and the very substantial defense cost of this case would come out of our clients' pockets. I urged you then to make a practical and moral

Mr. Lance Stockwell
May 11, 1993
Page 2

decision to drop this case. Not only did the RTC not drop the case, it never made a settlement offer.

I call your attention to an excerpt from the "Bank Bail-Out Litigation News" in which the former OTS chief counsel Harris Weinstein urged the federal agencies to drop their focus on negligence in lawsuits, in favor of finding even "the slightest evidence of self-dealing and fraud".

The lack of any such evidence was obvious to you and the entire RTC litigation team from the beginning. Your opening words to the jury were to disclaim even the slightest evidence of self-dealing and fraud. As Mr. Weinstein notes, cases based solely on negligence are fraught with difficulties, generally unprofitable and are backward looking leaving no room for error. Rather than creating any deterrent effect for present directors and officers, such cases merely chase away competent persons who would otherwise be willing to serve on bank boards.

I can assure you that the trauma and costs of litigating this matter in our community are well known and have likely caused many persons who are serving or may have served on boards to decline to do so.

The government, through the FDIC, OTS and RTC, has made its best efforts to chase the S & L crooks into jail, and that is fine. The government has made its best efforts to collect from those who were involved in fraud and self-dealing, and that is fine. But now, the government, and you as its tool, are making a reprehensible moral and financial decision to try to recover from honest people, with demonstrated records of business success and community integrity, losses that, as you agreed many times to the jury in this trial, were part and parcel of the failure of the savings and loan industry throughout the United States which resulted from circumstances beyond the control of any of these people.

This is what I consider to be a waste of the taxpayers' money and a moral travesty. I am quite sure that this letter will not cause you to terminate your efforts. Neysa Day must justify what was demonstrably very poor legal and practical judgment on her part, and thus will pursue this to its final appeal, wasting further money. Oh, if she were only an S & L director with respect to her judgment on this case and I the RTC attorney!

Nevertheless, moral decisions occasionally play a role in legal outcomes, and I feel compelled to express to you my objections over the continuation of this unnecessary lawsuit that is unfair and Mr.

X001431

Lance Stockwell
May 11, 1993
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financially damaging both to my clients and to all taxpayers in general.

Thank you for your consideration.

Sincerely,

DAVIS, COX & WRIGHT

William Jackson Butt, II

WJB:skg

cc: Hon. Senator Dale Bumpers
Hon. Senator David Pryor
Hon. Congressman Tim Hutchinson
Mr. A. P. Eason, Jr.
Mr. Rex Alan Smith
Mr. Joe A. Upchurch
Dr. J. Warren Murrey
Mr. J.F. Robinson
Margaret Robinson Walker

1510

SETH WARD
8 RIVER BEND ROAD
LITTLE ROCK, ARKANSAS 72202

1993 MAY 24 PM 8:49

X001409

May 20, 1993

Senator Dale Bumpers
Senate Dirksen Building, Room 229
Washington, D.C. 20510

Senator David Pryor
267 Russell Building
Washington, D.C. 20510

Dear Senators:

I am writing to bring to your attention my recent litigation experience with the Resolution Trust Corporation ("RTC"). Although that litigation was settled last month, I will never be able to forget the RTC's gross abuse of power and waste of taxpayer money in mindlessly pursuing its claim against me, with no regard for either the merits of its legal position or the costs of the litigation.

In 1985, I entered into a fully executed written contract with Madison Guaranty Savings and Loan Association ("Madison Guaranty") and Madison Financial Corporation ("MFC") pursuant to which I was to be paid certain real estate commissions in connection with the sale of undeveloped property. Although Madison Guaranty and MFC made over \$1,500,000 on the sales of that property, they subsequently refused to pay my real estate commissions. Therefore, on September 2, 1987, I filed suit against them in Pulaski County Circuit Court for breach of our written real estate commission contract.

On September 6, 1988, after a two-day jury trial, I was awarded a judgment against Madison Guaranty and MFC in the sum of \$353,000. On October 6, 1988, Madison Guaranty and MFC appealed that judgment to the Arkansas Court of Appeals.

Senator Dale Bumpers
Senator David Pryor
May 20, 1993
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X001410

On February 10, 1989, Madison Guaranty was declared insolvent and FSLIC was appointed as its receiver. On March 10, 1989, FSLIC removed Madison Guaranty's state court appeal of my judgment to federal district court and unleashed a litigation firestorm for the sole purpose of forcing me to spend the full amount of my state court judgment defending that action.

It would take me a dozen pages to review the full procedural history of this case as FSLIC and, later, its successor, the RTC, pursued a meritless but incredibly expensive collateral attack on my state court judgment, even though the Arkansas Court of Appeals issued an October 25, 1989 per curiam order and mandate that dismissed the RTC's appeal of this case and that allowed me to fully satisfy my \$353,000 judgment. Suffice it to say, after FSLIC's initial removal of this case to federal district court on March 10, 1989, Judge Reasoner remanded the case back to the Arkansas Court of Appeals; the RTC removed the case a second time from the Arkansas Court of Appeals to federal district court; and FSLIC and the RTC appealed subsequent adverse rulings from the federal district court to the Eighth Circuit on four separate occasions: In re FSLIC, 881 F.2d 564 (8th Cir. 1989); In re RTC, 888 F.2d 57 (8th Cir. 1989); Ward v. RTC, 888 F.2d 57 (8th Cir. 1990); Ward v. RTC, 972 F.2d 196 (8th Cir. 1992), cert. denied 113 S.Ct. 1412 (1993). Although such a procedural history is normally reserved for only the most complex antitrust cases, the RTC managed to accomplish this feat in a post-removal state court appeal in which the only issue concerned whether it could collaterally attack my final, fully satisfied \$353,000 state court judgment!

Throughout my four-year battle with the RTC, it was represented by at least one partner and one or more associates with Friday, Eldredge & Clark and at least one partner and one or more associates from the

Senator Dale Bumpers
Senator David Pryor
May 20, 1993
Page 3

X001411

Washington, D.C. offices of either Hopkins & Sutter or Nixon & Hargraves. In the various appellate briefs PSLIC and the RTC filed in our frequent trips to the Eighth Circuit, they often listed the names of no less than seven attorneys affiliated with four different firms or agencies as their attorneys of record. Notwithstanding the narrow nature of their collateral attack on my final and fully satisfied state court judgment, the RTC's attorneys managed to generate a blizzard of pleadings, motions, and appellate briefs that now almost fill a four-drawer filing cabinet in my lawyer's office.

My attorneys' fees and expenses associated with defending against the RTC's attack now total over \$250,000. It simply boggles the mind to consider what the RTC must have paid its "teams" of attorneys who have represented it in this matter. Surely, those fees exceed \$500,000.

During the first year of this litigation, my lawyer realized that, for both sides, the cost of pursuing and defending this matter could easily exceed the \$353,000 that was at issue. Although he repeatedly urged the RTC's attorneys to consider a settlement, they refused even to discuss that subject with him.

On July 19, 1991, Judge Reasoner ruled that the Arkansas Court of Appeals' October 25, 1989 Mandate dismissing the RTC's appeal of my final, fully satisfied state court judgment was entitled to res judicata effect and that the RTC could not collaterally attack that judgment in federal district court. On July 30, 1992, the Eighth Circuit reversed that ruling and remanded the case to Judge Reasoner for development of the facts surrounding the RTC's claims that my judgment should be vacated. Ward v. RTC, supra. Thus, after years of incredibly expensive litigation, I found myself back where the case began when it was originally removed to federal district court on March 10, 1989.

Senator Dale Bumpers
Senator David Pryor
May 20, 1993
Page 4

X001412

Although I was confident that the RTC would not be able to vacate my judgment, my attorney reminded me that, even if we again won before Judge Reasoner, the RTC would appeal that decision to the Eighth Circuit and the United States Supreme Court. Thus, by the time this litigation was finally concluded in my favor, I would have expended not only what little still remained of my \$353,000 judgment, but also a substantial amount of additional money. My attorney recommended that we try once again to settle the case, and I reluctantly agreed.

Having been paid hundreds of thousands of dollars pursuing this matter over the last four years, the RTC's attorneys finally agreed to recommend a settlement in which I was required to pay the RTC a portion of my \$353,000 state court judgment. On April 30, 1993, the RTC formally entered into that settlement and the pending federal litigation was dismissed with prejudice. The amount of the payment I was required to make under the settlement agreement, combined with the attorneys' fees I previously had incurred, placed me in the position of having expended the full amount of my \$353,000 judgment just to defend myself and to put an end to this litigation.

It is simply outrageous for the RTC to use the unlimited tax funds at its disposal to grind down an innocent third party who was awarded a judgment against a now insolvent Savings and Loan Association after a full jury trial. The end result of such mindless litigation is that: (a) the RTC spends far more on attorney fees and expenses than the total amount it stands to recover--even if it wins; (b) private citizens are forced to fight a war of attrition with their own government that they cannot possibly win; and (c) the legions of outside lawyers who represent the RTC in those cases laugh all the way to the bank.

Senator Dale Bumpers
Senator David Pryor
May 20, 1993
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X001413

During the last year, Forbes Magazine featured a lengthy article on the RTC's pursuit of frivolous claims against innocent outside directors of insolvent savings and loan institutions who have been forced into bankruptcy or deep debt defending themselves. Additionally, there have been several recent articles in the Wall Street Journal that have detailed the outrageous billing practices of many of the law firms who have performed work for the RTC. In short, I believe there is clear evidence that the RTC has violated the public trust in managing the so-called savings and loan bailout.

I respectfully urge both of you to request that the appropriate Senate committee conduct an immediate investigation into the RTC's conduct in managing and supervising the savings and loan bailout. Such an investigation will allow both Congress and the nation to see how the RTC has squandered millions of taxpayer dollars pursuing meritless litigations and, in the process, ruined the lives of many Americans. As part of that investigation, those of us who have experienced first hand the RTC's gross abuse of power and misuse of our tax dollars should be allowed to be heard. Finally, I also urge both of you to oppose the appropriation of any additional funds for the RTC until that agency demonstrates that it is capable of making rational decisions and expending tax dollars wisely.

Sincerely,




Seth Ward


THE WHITE HOUSE
WASHINGTON

Y000001

February 22, 1993

MEMORANDUM FOR WHITE HOUSE STAFF

FROM: BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT 

STEPHEN R. NEUWIRTH 
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: Prohibited Contacts with Agencies

It is important that all members of the White House staff recognize that there are significant restrictions on the kinds of communications a member of the White House staff may have with independent regulatory agencies, Executive agencies, and their components. These restrictions apply with particular force where agencies have an adjudicative, investigative, enforcement, intelligence, or procurement function. Violations of these restrictions may result not only in significant embarrassment to the individual involved and the White House, but in legal sanctions against the individual as well.

The following discussion sets forth the restrictions applicable when staff are in contact with an agency. It is critical that you review this material carefully. If you have any questions, please consult the Counsel's office before making any contact with an agency.

A. Contact with regulatory, investigative, intelligence, and procurement agencies.

1. Regulatory Agencies: The cases that come before these agencies are of two general types: rulemaking and adjudicative. Both normally involve high stakes, are very complicated, and are extremely important to the parties concerned.

There is generally no justification for any White House involvement in particular adjudicative or rulemaking proceedings at any agency. Therefore, as a general rule, no member of the staff should contact (a) any agency in regard to any adjudicative matter pending before that agency, or (b) any independent agency in

regard to any rulemaking pending before that agency. For rulemaking proceedings at Executive agencies, any staff member considering contacting any agency about such rulemaking should first consult with the Counsel's office. In all events, no such contacts with Executive agencies should be considered, nor will they be approved, if they imply preferential treatment or undue influence on the decision-making process.

Should you receive any inquiries with regard to pending regulatory or rulemaking matters, you should refer the inquiring party to the agency involved and express no opinion on the issues raised. White House staff members should avoid even the mere appearance of interest or influence.

Should an occasion arise in the course of your duties where it appears necessary to discuss general policy matters with the staff of an independent regulatory agency, you should first consult with the Counsel's office to determine whether such contact would be appropriate under the circumstances. Such clearance is not required before contacting Executive agencies on administrative, or purely executive or legislative, matters. But such clearance is required where any adjudicative, regulatory or procurement action is involved.

The following agencies, while not an exhaustive listing, are regarded by the Justice Department as independent and should not be contacted by White House staff (except for routine referrals of mail or administrative matters) without prior clearance from the Counsel's office:

- Commodity Futures Trading Commission
- Consumer Product Safety Commission
- Federal Communications Commission
- Federal Deposit Insurance Corporation
- Federal Election Commission
- Federal Maritime Commission
- Federal Reserve System
- Federal Trade Commission
- Interstate Commerce Commission
- National Credit Union Administration
- National Labor Relations Board
- National Transportation Safety Board
- Nuclear Regulatory Commission
- Occupational Safety and Health Review Commission
- Securities and Exchange Commission
- U.S. International Trade Commission

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- 3 -

The following agencies, or components of Executive departments or agencies, have significant regulatory or adjudicative functions. Accordingly, they should not be contacted with respect to the exercise of those functions without prior clearance from the Counsel's office (which clearance generally will not be given for adjudicative actions and will be considered only on a case-by-case basis for regulatory actions):

Environmental Protection Agency
 Equal Employment Opportunity Commission
 Federal Aviation Administration
 (Transportation)
 Federal Energy Regulatory Commission
 (Energy)
 Federal Labor Relations Authority
 Food and Drug Administration
 (HHS)
 Foreign Claims Settlement Commission
 (Justice)
 Immigration and Naturalization Service
 (Justice)
 Merit Systems Protection Board
 Mine Safety and Health Administration
 (Labor)
 National Highway Traffic Safety Administration
 (Transportation)
 Occupational Safety and Health Administration
 (Labor)
 Overseas Private Investment Corporation
 Pension Benefit Guaranty Corporation
 Social Security Administration
 (HHS)
 U.S. Parole Commission
 (Justice)

This list is merely illustrative. Many bureaus and divisions of agencies have authority to issue binding regulations or to decide specific claims, and the same rules on prior clearance from the Counsel's office apply for those entities as well.

You should be aware that the President and Vice-President are presently considering certain changes to the regulatory review process, and further instructions on contacts with regulatory agencies may be forthcoming as those changes are adopted.

2. Investigative and Intelligence Agencies: As set forth in Part B of this section, the ban on agency contacts extends to the litigating, investigative and

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adjudicatory divisions of the Department of Justice. The same rules also apply to the Internal Revenue Service, the Inspectors General, the Special Counsel of the Merit Systems Protection Board, and similar components of departments and agencies with authority to investigate charges of misconduct, to conduct audits of specific programs, or to bring complaints before courts or other adjudicative bodies.

White House staff should also confer with the Counsel's office before contacting agencies with respect to particular individuals. While the White House Office is not bound by the provisions of the Privacy Act of 1974, 5 U.S.C. Sec. 552a, Federal agencies are restricted by the Act from disclosing information about individuals contained in their files. The White House staff should be sensitive to these constraints.

Agencies in the intelligence community -- including the CIA, NSA, DIA, the Intelligence Division of the FBI, and the intelligence components of the military services -- report to the President through his Assistant for National Security Affairs. These agencies should not be contacted directly without coordinating first with the Assistant for National Security Affairs -- and, where issues of individual privacy arise, with the Counsel to the President.

3. Procurement Agencies: In recent years, the public has become increasingly sensitive to allegations of improper influence in the awarding of government contracts. No member of the White House staff should contact any procurement officer about a contract in which he or she has a personal financial interest or in which a relative, friend, or business associate has a financial interest. This is true not only with respect to calls or contacts in which influence is directly exerted, but also as to so-called "status" calls or other communications which might direct the attention of the procurement officer to the fact that a White House staff member has an interest.

There may be occasions when the White House has a legitimate interest in information about procurement matters. In such instances, however, any communication should be made only by persons who have no direct interest themselves, and whose friends or associates have no such interests. It is advisable that the lack of such interest be made known to those receiving the communication so that unintended inferences do not arise. Moreover, to the extent possible, information

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about a procurement matter should be obtained after the contracting procedure is completed, or should be obtained from persons not involved in the decision-making process. To avoid the appearance of conflict and subsequent embarrassment, White House staff members who feel they must contact procurement agencies with regard to pending matters should first contact the Office of the Counsel to the President.

B. Communications with the Department of Justice

As we are all aware, it is imperative that there be public confidence in the effective and impartial administration of the laws. Political figures and others may seek White House intervention in pending criminal and civil matters, but it undermines the administration of justice if the White House even appears to be interfering in such cases.

The following procedures have been established for communications between the White House staff and the Department of Justice.

1. Any written or oral communication to the White House concerning particular pending Department of Justice investigations or criminal or civil cases must be directed immediately to the Counsel to the President. If appropriate and necessary, the inquiry will then be transmitted by the Counsel's office to the Office of the Attorney General or the Deputy Attorney General. No other member of the White House staff should discuss a pending criminal or civil matter with private individuals or organizations, or with the Department of Justice.
2. All requests for formal legal opinions from the Department of Justice must be directed to the Counsel to the President, who will in turn forward such requests to the Office of the Attorney General or to the Assistant Attorney General in charge of the Office of Legal Counsel.
3. Members of the the White House staff may communicate directly with the Department of Justice with respect to policy, legislation and budgeting matters.

C. Communications with the Department of the Treasury

In light of the sensitive nature of matters before some of the component agencies of the Department of the Treasury -- such as the Office of Comptroller of the Currency, the Internal Revenue Service, the Bureau of Alcohol, Tobacco and

Firearms, and the Secret Service -- the following procedures have been established for communications between the White House staff and the Treasury Department:

1. Any written or oral communication to the White House concerning pending investigations or cases must be directed to the Counsel to the President. If appropriate and necessary, the inquiry will then be transmitted to the Office of the Deputy Secretary of the Treasury.
2. All inquiries which concern or may concern rulings on pending applications, regulatory actions or adjudications must likewise be directed to the Counsel to the President for transmittal, if appropriate and necessary, to the Deputy Secretary (although it is unlikely that inquiries with respect to adjudications or to so-called "private" rulings will be considered appropriate or necessary).
3. Other than for routine "tax checks" in personnel matters, requests for tax return information generally will not be favored. All requests involving tax return information must be directed to the Counsel to the President. If the information is deemed essential and if permitted by the Internal Revenue Code, such requests will be forwarded to the Deputy Secretary of the Treasury (except for routine "tax checks", which will be processed under our existing procedures).
4. Requests for information or statistical data of a routine nature and comments regarding policy, legislation and budgeting may continue to be handled directly by White House staff and appropriate Treasury officials.

D. Procedures Governing Presidential Review of International Aviation Decisions

Executive Order 12547 (February 6, 1986) sets out procedures for Presidential review of international aviation decisions pursuant to Section 801 of the Federal Aviation Act, 49 U.S.C. Sec. 1461. Section 5 of the Executive Order prohibits individuals within the Executive Office of the President from discussing Section 801 cases -- those involving international aviation -- with outside parties, and requires such individuals to refer written communications on Section 801 cases from outside parties to the appropriate office outside the Executive Office of the President. White House staff members should refuse to discuss with interested private parties cases subject to the

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- 7 -

President's approval under Section 801, and should refer any written communications concerning such cases to the Counsel's office for appropriate referral.

Purely domestic aviation decisions not subject to Presidential approval under Section 801 would typically be governed by the general policy against White House involvement in particular adjudicative matters. You should consult with the Counsel's office before discussing such cases with interested private parties or Government agencies.

* * *

The matters covered in this memorandum are intended only to improve the internal management of the Executive Branch and are not intended to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.


Please cooperate in observing the guidelines discussed above. If you have any questions regarding these procedures, please contact the Counsel's office.


THE WHITE HOUSE
WASHINGTON

Y000008

March 9, 1993

MEMORANDUM FOR ALL WHITE HOUSE STAFF

FROM: BERNARD W. NUSSBAUM 
COUNSEL TO THE PRESIDENT

STEPHEN R. NEUWIRTH 
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: Prohibited Contacts with Agencies:
Follow-up Memorandum

As discussed in our memorandum of February 22, 1993 (copy attached), it is important that all members of the White House staff recognize that there are significant restrictions on the kinds of communications a member of the White House staff may have with independent regulatory agencies, executive branch agencies and their components. It is also important that senior members of the White House staff ensure compliance with these restrictions within their offices.

This memorandum is intended to clarify certain issues discussed in our February 22 memorandum. The following points are intended to supplement, not replace, our February 22 memorandum, and the February 22 memorandum should continue to be consulted for the broader range of topics it covers.

The rules discussed below and in our original memorandum are intended to provide guidance in the absence of any other formalized process for White House input in regulatory matters. As noted in our February 22 memorandum, the President and Vice-President are presently considering certain changes to the regulatory review process, and further instructions on contacts with regulatory agencies may be forthcoming as those changes are adopted. Moreover, these rules do not overturn those existing Executive Orders that provide mechanisms for regulatory review (particularly defining the role of the Office of Management and Budget). The procedures set forth in those orders can continue to be followed.

1. As a general rule, no member of the White House staff should contact any independent agency (or its components) with respect to any pending adjudicative or investigative matter.

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It may be appropriate in certain circumstances for White House staff to discuss rulemaking matters with an independent agency; but prior to doing so, White House staff members must first consult with the Counsel's office. White House staff members should also consult with the Counsel's office before discussing general policy matters, or administrative or legislative issues, with an independent agency. Such consultation with the Counsel's office can address broad areas of ongoing discussion. (A list of independent agencies is set forth on page 2 of our February 22 memorandum.)

2. If an independent agency contacts a member of the White House staff for information, it is normally appropriate for the White House staff member to respond to such an inquiry. It is important, however, that no such discussions occur if (a) the White House staff member (or a relative, friend or business associate) has a personal interest in the matter at issue; (b) the inquiry relates to a particular rulemaking matter and the White House staff member is aware the private parties have been lobbying the White House with respect to that matter; (c) the inquiry relates to a particular adjudicative or investigative matter. Furthermore, in responding to such inquiries, it is important that White House staff members respond only to the specific inquiry, and not have discussions that would otherwise be prohibited without prior Counsel's office approval.

3. As a general rule, no member of the White House staff should contact any executive branch agency (or its components) with respect to any pending adjudicative or investigative matter. In some circumstances, it may be appropriate for White House staff to have discussions with executive branch agencies concerning rulemaking; but prior to doing so, White House staff members should first consult with the Counsel's office. The purpose of such consultation is to ensure that no private parties are receiving preferential treatment, or having undue influence upon, the rulemaking process. (A list of executive branch agencies with significant regulatory or adjudicative functions is set forth on page 3 of our February 22 memorandum.)

4. As a general rule, no clearance is necessary before a member of the White House staff contacts an executive branch agency to discuss general policy matters or administrative, executive or legislative issues. Keep in mind, however, that such discussions become inappropriate when (a) the White House staff member (or a relative, friend or business associate) has a personal financial interest in the matter being discussed or (b) the White House staff member is, or appears to be, acting on behalf of a private party that has a financial interest in the matter being discussed.

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5. White House staff should confer with the Counsel's office before contacting independent or executive agencies with respect to particular individuals. Moreover, White House staff should be sensitive to the constraints placed on agencies by the provisions of the Privacy Act of 1974.

6. Agencies in the intelligence community should not be contacted directly without first coordinating any such contacts with the Assistant to the President for National Security Affairs. Where issues of individual privacy arise, the Counsel to the President should also be contacted.

7. No member of the White House staff should contact any procurement officer about a contract in which that staff member has a personal financial interest or in which a relative, friend or business associate has a financial interest. Moreover, if contacts are made in circumstances where no such financial interests are present, (a) such contacts should, to the extent possible, be made after the contracting procedure is completed and (b) the lack of such financial interest should be made known to those receiving the communication so that unintended inferences do not arise. To avoid even the appearance of impropriety in procurement, the Counsel's office should be consulted prior to any White House staff contacts on procurement matters.

8. Special rules apply to contacts by White House staff with the Department of Justice and with the Department of the Treasury. Those rules are set forth on pages 5 and 6 of our February 22 memorandum. Note that members of the White House staff may communicate directly with either Department with respect to policy, legislative or budgetary matters.

9. The rules governing contacts with agencies apply fully to matters concerning airlines and the airline industry. Private parties attempting to solicit White House support on domestic airline regulatory matters should generally be referred to the agency with rulemaking or regulatory authority. In addition, White House staff members must always refuse to discuss with interested private parties cases subject to the President's approval under Section 801 of the Federal Aviation Act (concerning Presidential review of international aviation decisions). The Counsel's office should be consulted before a member of the White House staff has discussions with parties interested in pending regulatory matters affecting an airline or airlines.

Y000071

THE WHITE HOUSE
WASHINGTON

May 4, 1993

MEMORANDUM FOR ALL WHITE HOUSE STAFF

FROM: BERNARD W. NUSSBAUM
Counsel to the President

STEPHEN R. NEUWIRTH
Associate Counsel to the President

RE: Prohibited Contacts with Agencies

By memoranda dated February 22 and March 8, 1993, we set forth the policies governing communications by members of the White House staff with independent regulatory agencies, executive branch agencies and their components. In those memoranda, we explained that certain communications are prohibited without prior approval from the White House Counsel's office (i.e., communications with the Department of Justice concerning pending criminal or civil cases and investigations, and communications with other agencies concerning other adjudicative, investigative or rulemaking matters).

Our memoranda also noted that the President and Vice President are considering certain changes to the regulatory review process, and that further guidance will be forthcoming with respect to communications with agencies concerning pending regulatory and rulemaking matters. (Many such communications on regulatory and rulemaking matters are prohibited under the policies currently in effect, as set forth in our memoranda.)

The regulatory review project -- which is being coordinated by Jack Quinn, Counsel to Vice President Gore, in close cooperation with Sally Katzen, the Administrator-designate of OIRA -- should be completed during the next six to eight weeks. In the interim, and in order to ensure that the various offices within the White House do not send conflicting messages to any agency or department, all communications with agencies on specific regulatory and rulemaking matters should be discussed in advance with Jack Quinn. (Once Sally Katzen is confirmed by the Senate, all such communications should be discussed with her.)

All other communications requiring clearance from the Counsel's Office -- i.e., communications concerning pending adjudicative and investigative matters, as well as matters involving international aviation -- should continue to be cleared with us.

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At the same time, we reiterate the guidance in our prior memoranda that members of the White House staff may communicate directly with agencies or departments with respect to policy, legislation or budgeting matters. Such communications are appropriate if they do not address particular pending adjudicative, investigative or rulemaking matters.


Thank you for your continuing assistance and cooperation in this area.


THE WHITE HOUSE
WASHINGTON

Y000013

July 2, 1993 fns

MEMORANDUM FOR WHITE HOUSE STAFF

FROM: BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT 

CLIFFORD M. SLOAN 
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: Policy Regarding Investigations and Investigatory Agencies

In prior memoranda of February 22, 1993 and March 9, 1993, we set forth policies governing communications between members of the White House staff and independent regulatory agencies, executive branch agencies, and their components. This memorandum is intended to supplement our prior memoranda and to explain White House policy regarding investigations and investigatory agencies.

(1) CONTACTS WITH INVESTIGATORY AGENCIES

White House contacts with investigatory agencies may arise in three circumstances: (1) contacts regarding the initiation of an investigation, (2) contacts regarding a pending investigation or case, and (3) contacts regarding administrative matters.

a. The FBI

White House staff may have knowledge of a possible violation of law or wrongful activities involving White House facilities or personnel. Such information should be communicated to the Counsel to the President. If Counsel determines that contact with the FBI is warranted, Counsel will initially contact the Attorney General, the Deputy Attorney General, or the Associate Attorney General. If continuing contact is required, Counsel and the senior Justice Department official with whom Counsel is dealing will design and monitor the continuing contact.

As stated in prior memoranda, with respect to pending investigations or cases, any written or oral communications should be directed to the Counsel to the President. If appropriate and necessary, Counsel will contact the Attorney General, the Deputy Attorney General, or the Associate Attorney

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General. Here too, if continuing contact is required, Counsel and the senior Justice Department official with whom the Office is dealing will design and monitor that continuing contact.

Finally, with respect to contacts regarding administrative matters, White House personnel may have a need to communicate with Justice Department and FBI personnel on a variety of issues. These issues include policy, legislation, budgeting, and appointments. Members of the White House staff may deal with the appropriate persons in Justice and the FBI on such matters, just as with other Departments and agencies. The Counsel to the President has a need to communicate with FBI personnel about background investigations and clearances of government officials, and may communicate directly with appropriate FBI officials for that purpose.

b. IRS

It is never appropriate for White House personnel to initiate an investigation or audit by directly contacting the Internal Revenue Service. To the extent that White House officials believe that they have information regarding criminal tax violations by federal employees, that information should be communicated to the Counsel to the President. If appropriate and necessary, Counsel will communicate that information to the Attorney General.

As stated in prior memoranda, with respect to pending Treasury or IRS investigations or cases, a policy similar to the policy regarding the FBI is followed. White House personnel should refer any written or oral communications about a pending investigation or case to the Counsel to the President. If appropriate and necessary, Counsel will communicate with the Deputy Secretary of Treasury. If continuing contact is required on particular matters, it will be left to Counsel and the Deputy Secretary of Treasury to design and monitor that continuing contact.

Finally, with respect to contacts regarding administrative matters, White House personnel have a need to communicate with Treasury and IRS personnel on issues such as policy, legislation, budgeting, and appointments. White House personnel may deal with the appropriate persons in Treasury and IRS about such matters, just as with other Departments and agencies. The Counsel to the President also has a need to communicate with IRS personnel about routine "tax checks" of prospective government officials, and may communicate directly with appropriate IRS officials for that purpose.

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(2) WHITE HOUSE PRESS OFFICE DISCLOSURE OF ONGOING INVESTIGATIONS

The White House Press Office generally should not disclose ongoing investigations. In extraordinary circumstances, it is possible that a disclosure would be determined to serve the public interest. Even in such extraordinary circumstances, Press Office disclosure should be made only with the approval of (1) the Counsel to the President and (2) the Chief of Staff or Deputy Chief of Staff. Such disclosure should be made, moreover, if possible, only after consultation between the Counsel to the President and senior officials of the investigative entity's Department.

(3) PRESS OFFICE CONTACT WITH FBI

The White House Press Office responds to inquiries and provides information. A routine administrative function of the Office is consultation with spokespersons for Departments and agencies regarding public statements and publicly available information. Nevertheless, it is essential to avoid any possible appearance of interference with the FBI. Accordingly, in the future, if the Press Office desires to communicate with FBI spokespersons concerning public statements about a pending case or investigation, the Press Office should contact the Counsel to the President. If the communication is appropriate, Counsel will notify the Attorney General, the Deputy Attorney General, or the Associate Attorney General before it takes place. If continuing contact is required, Counsel and the senior Justice Department official with whom Counsel is dealing will design and monitor the continuing contact.

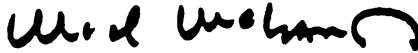
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THE WHITE HOUSE
WASHINGTON

March 3, 1994

MEMORANDUM FOR THE WHITE HOUSE STAFF

FROM: Mack McLarty
Chief of Staff



SUBJECT: Contacts regarding Madison Guaranty, Whitewater and related matters

This memorandum reiterates White House policy on contacts with agencies, previously set forth by the Counsel's Office, and outlines specific guidance for issues related to Madison Guaranty, Whitewater Development Corporation and related matters.

Any contact from an Executive Branch or independent agency regarding Madison Guaranty, Whitewater or related matters should be directed promptly to the Deputy Counsel, who is charged with reviewing such contacts and determining whether they should be directed to the President's or First Lady's personal attorney or addressed by the White House. In addition, no contact by the White House with Executive Branch or independent agencies regarding these matters should be made without prior authorization from the Deputy Counsel.

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THE WHITE HOUSE
WASHINGTON

March 11, 1994

MEMORANDUM FOR ALL WHITE HOUSE STAFF

FROM: JACK QUINN
ASSISTANT TO THE PRESIDENT AND
CHIEF OF STAFF TO THE VICE PRESIDENT

JOEL I. KLEIN
DEPUTY COUNSEL TO THE PRESIDENT

RE: Prohibited Contacts on Rulemaking Matters

By memorandum dated May 4, 1993, we reiterated our policies governing communications by members of White House staff with independent agencies, executive branch agencies, and their components. We also noted that the President was considering certain changes to the regulatory review process and that further guidance regarding communications on regulatory and rulemaking matters would be forthcoming.

In the Fall, the President issued Executive Order No. 12866, "Regulatory Planning and Review." Consistent with the intent of that Order, White House staff members are directed to adhere to the following guidelines with respect to communications with executive branch agencies regarding rulemaking matters:

I. Contacts with Agencies

A. Members of the White House staff may contact executive branch agencies with respect to pending rulemaking matters if the purpose of the communication is not to influence the outcome of the pending proceeding (including, specifically, contacts regarding the status of the matter or general policy, budgetary, or administrative issues).

B. When the purpose of the contact is to influence the outcome of a pending rulemaking proceeding, the staff member should, prior to making the contact:

1. obtain approval from his or her principal or departmental supervisor; and

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2. coordinate the contact with the Administrator of OIRA, who will advise the staff member on the appropriateness of the contact.

II. Contacts with Members of the Public

A. Members of the public (that is, persons not employed by the executive, legislative, or judicial branches of the federal government) often approach members of the White House staff and ask to have a position or information considered in a rulemaking proceeding at an executive branch agency. When this occurs, White House staff should inform the person that positions or information provided by members of the public must be submitted in writing if they are to be incorporated into the rulemaking process. All such written communications received from members of the public are to be forwarded by the recipient to the affected agency(ies) for inclusion in the public docket.

Please be reminded that under Executive Order No. 12866, this provision applies to contacts with the public regarding pending rulemaking proceedings under review by the President, Vice President, or any regulatory policy advisor.

B. Consistent with the policies reflected in Executive Order No. 12866, White House staff members should not communicate non-written comments from members of the public on pending rulemaking matters to agencies, OIRA, or anyone else involved in the rulemaking or the review process.

* * *

Please cooperate in observing the guidelines discussed above and continue to refer to prior memoranda issued by the White House Counsel's Office on contacts regarding investigative and adjudicative matters and, more generally, contacts with independent agencies. If you have any questions regarding any of these procedures, please contact the White House Counsel's Office.

Thank you for your continuing assistance and cooperation in this area.

J.M.Q.
JIK

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MARK SOURCE FROM KENYON
WEST COIL LITIGATION



United States Department of the Interior 1000012

NATIONAL PARK SERVICE
HEADQUARTERS, UNITED STATES PARK FOREMAN
1100 Ohio Drive, S.W.
Washington, D.C. 20242

82 DEC 16 P12:53

IN REPLY REFER TO
P36(NCR-PPIA)

DEC 13 1993

Mr. Bernard Nussbaum
Chief Counsel to the President
West Wing, 2nd Floor
White House
Washington, D.C. 20500

Dear Mr. Nussbaum:

We have determined that it is necessary we refer to you the enclosed documents marked #36, #50, #52 and #87. These documents were determined to be responsive to Mr. William Neuman's Freedom of Information Act (FOIA) request.

Document #87 titled, "Communication Record", was initially referred to the United States Secret Service (USSS). The USSS has determined that this document should be referred to the White House, Mr. Bernard Nussbaum, Counsel to the President, 1600 Pennsylvania ave., N.W., Washington, D.C. 20500 regarding a public disclosure determination.

Document #36 contains information, bracketed in red, directly related to document #87. Documents #50 and #52 contain information, bracketed in red, directly related to a document we previously referred to you on September 3, 1993.

We request you review the entire document #87 and the information on documents #36, #50 and #52 that is bracketed in red, making any deletions or recommendations regarding the public disclosure of these documents and information. We ask that the documents be returned to us. Please cite the FOIA exemptions regarding deletions or withholding recommendations you make. If there should be other justification for withholding this information from public disclosure, please provide documentation regarding this.

We have enclosed the following:

1. A copy of Vincent Foster's phone log that was previously referred to you on September 3, 1993;
2. A copy of your response regarding the September 3, 1993, referral;
3. A copy of Mr. Neuman's FOIA request;
4. A copy of documents #36, #50, #52 and #87 that we request you review;

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If you should have any questions concerning this referral, please contact me on 202-619-7350 or Sergeant Albert Jez on 202-690-5103.

Sincerely,

Robert H. Hines

Robert H. Hines, Major
Commander, Office of Inspectional Services

Enclosures

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CJH/16

THE WHITE HOUSE
WASHINGTON

11/13
11/13

November 8, 1993

Robert H. Hines, Major
Commander, Office of Inspectional Services
United States Department of the Interior
National Park Service
Headquarters, United States Park Police
1100 Ohio Drive, S.W.
Washington, D.C. 20242

Re: FOIA Request of William Neumann Dated August 11, 1993

Dear Major Hines:

You have asked for our opinion regarding the above-referenced request, under the Freedom of Information Act, for documents previously forwarded to the National Park Service by the White House Counsel's Office. We have reviewed these documents, and, for the reasons stated below, have concluded that such documents should not be disclosed.

First, the documents requested are not "agency records" subject to the FOIA. See 5 U.S.C. § 552(a)(4)(B). The Office of the President, including the President's immediate personal staff and units in the Executive Office whose sole function is to advise and assist the President, does not constitute an "agency" for the purposes of FOIA. See, e.g., Kissinger v. Reporters Committee, 445 U.S. 136, 156 (1980); National Security Archive v. Archivist of the United States, 909 F.2d 541, 545 (D.C. Cir. 1990) (Counsel's Office exempt from FOIA). Although the documents requested were forwarded to the Park Service, they remain White House documents not subject to the provisions of the FOIA. See, e.g., Goland v. CIA, 607 F.2d 339, 347 (D.C. Cir. 1978), vacated in part on other grounds, 607 F.2d 367 (D.C. Cir. 1979), cert. denied, 445 U.S. 927 (1980) (Congress' retention of control over documents turned over to agency).

Second, the requested documents do not qualify as "agency records" since they were primarily personal documents prepared for the convenience of an employee and were not distributed. See, e.g., Bureau of National Affairs v. U.S. Dep't of Justice, 742 F.2d 1484, 1485-96 (D.C. Cir. 1984) (personal diary, appointment calendars, phone logs not "agency records.")

Third, even assuming arguendo that these White House documents are "agency records", they are exempt from disclosure both under FOIA's exemption 6 (the privacy exemption) and exemption 7(c) (the privacy exemption in the context of a law enforcement

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investigation). See 5 U.S.C. § 552(b)(6) & (b)(7)(c). Disclosure of these documents would violate the privacy rights of a former White House employee and his family, and would not serve any significant public interest. As the D.C. Circuit has cautioned, "[T]he legitimate and substantial privacy interests of individuals . . . cannot be overridden by general public curiosity." Fund for Constitutional Government v. National Archives and Records Service, 656 F.2d 856, 866 (D.C. Cir. 1981).

The privacy provisions of FOIA exemptions 6 and 7(c) apply fully to Mr. Foster's handwritten note. As has been publicly stated, the Foster family has requested that the handwritten version of the note not be released. That the note is handwritten only confirms the significant privacy interest in that note. Moreover, any public interest in release of the handwritten note is minimized because the complete contents of the note have been previously released and widely reported. See, e.g., New York Times Co. v. NASA, 920 F.2d 1002, 1004 (D.C. Cir. 1990) (en banc) (finding, under exemption 6, personal information in tape recording of astronauts' last conversation where transcript already published).

As you have requested, enclosed please find the copies of the documents you provided for our consideration. We appreciate your cooperation with this matter.

Sincerely,



Bernard W. Nussbaum
Counsel to the President

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WASHINGTON BUREAU
1112 NATIONAL PRESS BUILDING
WASHINGTON, D.C. 20045
(202) 393-1700



NEW YORK POST
1250 AVENUE OF THE AMERICANS

DEBORAH ORIN
WASHINGTON BUREAU CHIEF

Major Robert Hines
U.S. Park Police
Fax: 205-7981

Dear Major Hines:

Please send to me, under the freedom of information act, the complete investigation report on the death of Vincent Foster, including the autopsy and toxicology reports.

sincerely,

Wm. Neuman

William Neuman
New York Post

RLH 8/11

IAH

*WASH POST
8/11*

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Deb

1 Known Vince since 1/25

On average worked 8³⁰/8⁴⁵ → past 6:30

Nothing diff from normal in last wk
some days summer than others

Deb resp. for ^V being paged; never know
him not to be reachable

Know his family, but not prof.

Knew of no fam problems -

V had 2 cars, Honda & Lexus. Don't
know which he drove to work

*// Never saw him smoke.
Never saw him drink. - Mentioned having
beer w/ son.
He had lunch in office - she was to.
but not there

1 conversation last Thursday -
diff on why for gov't & law firm
not enough people or supplies
Deb of ever felt in spiritual default -
Vince said yes, that's how he felt sometimes.

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Some days happier than others

Fin pressure; abs. not

Diff to know what relatives

Appts. for physicians

Didn't deal w/ doctors except for
 little care reform work but
 didn't deal w/ physicians
 directly

Handgun

No alc. or drug abuse prob

Last day, Vince arrived around
 9⁵⁰

V asked if Deb would mind gett
 office.
 He spent time in office, then went to

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Back around 1130 - 1145.

Deb said going to 16th &
V said had everything he
needed

When Deb returned at ~~11~~ 1¹⁵
she was gone.

B Pond & L Tripp saw him
Go out the door.


Nothing unusual in his mood
that morning.
Normal for him to be quiet.

7000025..

Never ~~said~~ what his plans
were for day.

Phone log - all calls receive
Some handed directly to
him on slips.

Deb keeps an electronic
record.

 Park Police
Spoke w/ Hamilton

Mrs. F - Asked about when paid.

Asked Debi Tell Foster that they were overdrawn
in cks account.
Did say would call credit union.

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Called credit union; said would
call Mr. Foster directly
Did prepare letter for Vince to
credit union

Discussed w/ Foster

Distribution from law firm
said all gone anyway

Not aware of anything extraneous.

Never told L worked.

2000096

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 22, 1994

PRESS CONFERENCE
BY THE FIRST LADY

The State Dining Room

3:37 P.M. EDT

MRS. CLINTON: Well, let me thank all of you for coming. I know this is a busy day. It got busier than I thought it would when we first made this decision early this morning, and I appreciate your gathering.

I have, in the last couple of days, wanted to do this part because I realized that despite my traveling around the country and answering questions, I did not really satisfy a lot of you in having your questions asked and answered. And last week, I think it was Helen said, I can't travel with her, so how can I ask her questions? So, for that reason, we are here and, Helen, you get the first question.

Q Since Whitewater's been in the news so much, I feel it's fair to ask you the same question I put to the President some time ago -- and you are a co-partner. Do you know of any money that could have gone from Madison to the Whitewater project or to any of your husband's political campaigns?

MRS. CLINTON: Absolutely not. I do not.

Q Actually, on the same theme with your commodities profits -- it is difficult for a layman, and probably for a lot of experts, to look at the amount of the investment and the size of the profit. Is there any way you can explain how you --

MRS. CLINTON: Well, I can certainly tell you what happened. And I appreciate your asking me about it because I've tried to follow the accounting in the press about it, and I want to explain as clearly as I can what occurred.

Back in 1978, in October, one of our best friends, Jim Blair -- who had been a friend of my husband's and mine for sometime -- talked to me about what he thought was a great investment opportunity. He is someone who has been an investor ever since he was a teenager, with usually very good results. And he had followed closely what had been happening in the cattle market. And I only knew a little bit about that, although living in Arkansas, particularly northwest Arkansas, as I did, I was familiar with a lot of ranchers and people who were in the cattle industry. And when I said, I think there's going to be a great opportunity to make money and explained why, and asked me what I thought we could afford to invest, I told him --

So I opened an account at his very strong recommendation, and proceeded to trade over the next months until July. You know, not all my trades made money; some of them lost money. I talked to Mr. Blair very frequently. In fact, Jim would call me on a regular basis, and I would make a decision whether I would or would not trade, and then the trade would be placed. Of course, he placed it for me. And there was nothing wrong with that; he was on the spot, he was often in the offices of the broker.

I stopped trading in July of 1979. And I did stop trading in large measure because I could not keep up with it. It takes a lot of nerve to be in the commodities trading, and I just found out I was pregnant. And so, when he called again, I said, you know, I just don't want to do this anymore. And I think he may have even called a few more times saying, it's really still doing well -- trade again. And I didn't, and I'm glad I didn't because he and other friends of mine who were trading ended up losing money.

So it was a good investment offered by somebody who knew a lot, who could provide a lot of good advice. And I was lucky and made the decision to stop when I did.

Q Mrs. Clinton, can you talk about the second account? You had two --

MRS. CLINTON: I'll get there in just a minute --

Q Do you wonder since then if maybe your broker might have, because of your position and your husband's, might have given you some kind of unfavorable -- or a favored advantage?

MRS. CLINTON: There's really no evidence of that. I didn't believe it at the time. As I said, I made and lost money in that commodities account. It was my money; it was at risk. The account was in my name; I got the reports. We've released all of the documents we could find from that period from that account. So, no, I had no reason to believe that. And as Mr. Leo Melamed, the former head of the Chicago Mercantile Exchange, said when he looked at all of my trading records, there isn't any evidence that anybody gave me any favorable treatment. And even Mr. Blair, who ended up losing money, I think would find it very hard to argue that he got any favorable treatment. I just don't think there's any evidence of that.

Q Mrs. Clinton, you say you stopped trading in July of 1979. Could you talk about the second account that was opened? There was a second account with the Stephens Company in which I think you invested \$5,000. And at first the White House claimed you lost money on it, but later you put out a document showing you actually made \$6,000 on it and didn't close it until a few months after Chelsea was born.

MRS. CLINTON: That's right. I'm glad you asked that because I really want to clarify it. I think there's been a lot of confusion. There were two accounts. The first account -- the one that I was just talking about -- was the REFCO account. I traded in that from October '78 to July of '79, when I found out I was pregnant, and I stopped trading. Now, I closed that account for good in October of '79, and I took some of the money that I had made and put it into an account at Stephens. And at that point, I made that discretionary account. My REFCO account was a nondiscretionary account, which meant that I had to approve and give the go-ahead for every trade.

In the discretionary account at Stephens, my broker made most of the decisions, and I think did a good job for me. He diversified the money, he put it into money market and stocks and bonds and \$5,000 into some commodities.

Now, what happened then is, in retrospect as I've been able to reconstruct it now, is that my broker made these decisions; he checked with me maybe a couple of times a month, but because it was discretionary, he did not have to get my approval. So money would be moved from one investment to another investment. And during the course of the time between October of '79 and probably May of 1980, he had me in and out of three different commodity accounts in

much smaller numbers than what I had been in charge of doing in my REFCO account.

In February of 1980, my daughter was born -- at the very end of the month. And I remember talking to my broker sometime after that and said, I just want to get out of commodities altogether. I don't ever want to have to worry about it. So he got me out of the positions that I had been in, so that by May, I was no longer doing any kind of commodity trading in the Stephens account. Now, what happened, though, is that he took the money that I now know I made -- I really didn't think I'd made any money in commodities -- and he bought some stock and he did some other things for me.

Now, in the fall of 1980, my husband lost his election, we moved. So by 1981, when I gathered all my documents together to give to my accountant, I had a year-end statement from Stephens which did not report anything about commodities; I had a year-end statement from the Peavey Brokerage Company which reported a loss; and I had no year-end statement from either Clayton or the company called ACLI. So I think what happened is we bundled all of the documents we had -- because I took all of the reports that I had, gave them to the accountant -- and I believe that in the absence of a year-end statement, the accountant and my husband and I missed the fact that we had actually made some money in the ACLI account.

Q You didn't remember the profit?

MRS. CLINTON: No, I did not remember that profit. I did not. And, in fact, as you said, when some people looking at the records for me began looking at it originally, they looked at the records, and they thought I'd had a \$5,000 loss. And they came to me and said, we think you had a loss which you didn't report. And I said, I just don't remember. I thought I basically got out with what I put in. And then they went back and relooked at it again with more accountants and they came up with the gain. So it was hard to find, apparently.

Q With regard to the REFCO account, just how did the procedure go? Did Mr. Blair basically recommend to you the transactions which you either said yes or no to? Or was it based more on knowledge that you had gained, as some of your staff have suggested, from reading the papers or whatever? What happened?

MRS. CLINTON: Well, Brit, it was primarily Jim's suggestions. But I also did try to educate myself. I did try to read some things. He actually gave me a few documents to read -- because he had this theory that because of the economy in the early part of the 1970s, a lot of cattle herds had been liquidated so that there was going to be a big opportunity to make money in the late '70s; and he gave me things to read about that. And I did occasionally read publications like the Journal and others and I tried to educate myself because I took the responsibility seriously. But I relied primarily on his advice because he really spent an enormous amount of time studying the market and talking to many more people than I ever could have -- people who ran feed lots or bought beef for large supermarket chains.

So he would -- I would say, here's what I think is going on; what do you think? Now, I did not make every trade he recommended. And certainly, by July, when I began to get nervous about it, I stopped taking his recommendations because I just couldn't bear the risk anymore.

Q Did it concern you at the time that because of his position with the company that he represented, that there was an ethical question raised by your accepting this level of assistance: a financial matter from him?

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MRS. CLINTON: No, it did not. And the reason it didn't is that he and his wife are among our very best friends. My husband preformed their marriage ceremony. I was the "best person" at the wedding. We are very close friends. And I've found it a little bit surprising that anyone would suggest that, because in 1980, right during the time that this was all going on, when my husband ran for reelection, Tyson supported his opponent. So there's really no basis for suggesting it was anything other than what it was, which was a friend who made a suggestion not just to me, but to a number of people, which I think was very fortunate for me.

Q Mrs. Clinton, you've said that there was no preferential treatment in all of this. The records indicated that your account was short of money at various points. Were there margin calls? And did you meet any of those calls? And were you aware at any time that REFCO was coordinating trades to drive prices up or down?

MRS. CLINTON: No, I was not aware of that, Andrea. I was told that after I stopped trading some months later. And I know there were lawsuits filed alleging that. I don't think any of that was ever proved, at least that I'm aware of.

When my position was under margin, I would either close out my position or use the equity that I had. And I think Mr. Melamed said, based on his review of the records, there were a couple of occasions when I was under margin. Nobody ever called and asked me for anything. They just, I guess, took the money that I had in the account and closed out the position. But that was the responsibility of the broker, and from what I know, they were doing so many trades, and there was so much volume going through that, I was a relatively small customer. I mean, it was very big money for me and my family, but it was a very small account. And I don't think they paid any attention to my particular situation.

Q Why do you think they gave you this treatment with you being such a small customer? Don't you think that was preferential treatment based upon who you were and who your husband was?

MRS. CLINTON: No, I really don't believe that. I don't think there's any evidence of that. You know, from what I know about commodity trading, and what I know about the cattle market during that period of time, they were just buying and selling on a huge basis, day in and day out. And I think that they may have not gotten around to the paperwork; they may have not thought it was worth it; they may seen that I was a regular customer and that I covered my losses; that there was never an occasion when they really had to be concerned about it. I can't read their minds or speculate, but I had absolutely no reason to believe that I got any favorable treatment.

And the fact that I closed the account out and took my money, whereas the people whom I knew were much bigger traders, like Jim Blair and others, they lost money -- and why would Jim Blair try to help me get favorable treatment that he couldn't get for himself? I mean, it doesn't make any sense to me at all.

Q Mrs. Clinton, one of the things that has made all of this so controversial is the shifting accounts of what happened, because initially the White House explained that you were consulting Blair and many others and reading the Wall Street Journal, and then later, had to correct that, and we found out that Mr. Blair was, in fact, most often placing your trades for you -- phoning the trades in. Why was the account -- why did the account have to be corrected? Why was it not explained accurately the first time?

MRS. CLINTON: Well, Linda, I think it's because -- we're trying to reconstruct events of 15, 16, 17 years ago. There

are a lot of people who are trying to help, but until relatively recently, there wasn't any one person in charge of trying to get everything together and get the information as accurate as possible. I think the people in the White House did the best job they could. I think that we did the best job we could trying to remember things, and oftentimes having to search to see whether we had any records.

I mean, I don't know how many of you keep records from 1978 or '79, but we went through a lot of effort to try to see whether we had anything so we could answer questions and then make things available. Sometimes we'd find part of something; sometimes we'd then find the rest of it.

So I appreciate and understand the concern about why we would have to add information or go back and say, well, this needs to be corrected. But the fundamental facts have not changed. The fundamental facts are, as I have said, I opened an account with my money; I made the trades; it was nondiscretionary; I took the risk; I was the one who made the decision to stop trading. And I did rely on Jim Blair. I used some other advice as well, but he was my principal advisor in this.

Q But that wasn't a question of documents, that particular fact -- the fact that he was really riding the trading for you. I guess I wanted to reask that question again. Why -- that would be something you would remember or not remember without documentary support. So why was that fact not made clear? And were you essentially riding on his coattails when you traded?

MRS. CLINTON: No, I wasn't. I was riding on the money I invested. I don't know how any of you make investment decisions, but I like to listen to people I know and trust who I think know what they're doing. And he was somebody who I very much thought knew what he was doing and was more than willing to share his information not only with me, but with many people -- members of his family and other of his friends. And it was, for all of us, a decision to put ourselves basically at the mercy of the market. And as Jim Blair found out, he wasn't always right -- he lost a lot of money. And I was lucky I didn't. But that was my decision.

Q Mrs. Clinton, a number of your old friends in Little Rock -- Warren Stephens I guess is an old friend; Kurt Bradberry, Bill Bowen, people like that -- had a meeting on March 31st and they decided that, really, Arkansas is taking a beating; portrayed, in the words of one of them, as a "moral and ethical backwater," basically because people here are saying, it was done that way in Arkansas. How do you feel about what's happening down there, and what's happening to those people who feel they're being hurt by events out of their control and they feel that they're not really being -- the state is not really being defended by you and your husband? I wonder if you'd address that.

MRS. CLINTON: Well, I feel very bad about it because I think Arkansas is a wonderful place, and filled with some of the best people I've ever been privileged to know or work with. And I do think that many of the charges have been very unfair and have really lacked any historic or realistic context. I don't think it's necessary to point fingers at any other state in the Union to say that in every place there are people who have problems, and there are people who cause problems. And I think that the state of Arkansas is a place that has so much to be proud of. So I hope that we can get back to a more realistic assessment of what goes on there.

Q May I follow that?

MRS. CLINTON: Sure.

Q They've said -- specifically Bradberry and Mr. Stephens have said that to a certain extent, they feel you brought this on yourself -- the two of you -- because of campaign statements about "the decade of greed" and just things that they feel, in their words, "make it look like hypocrisy," that you were in the go-go trading, you were trying -- as you said -- an opportunity to make money just as they were. And they felt like they had been condemned by you -- that people like that had been condemned by you during the campaign. And that now you were being shown to be doing the things you spoke against.

MRS. CLINTON: Well, Kurt and Ward have never said that to me, so I'll have to take your word for it. But I do think you raised an important question that I would like to talk about a little bit.

I was raised to believe that every person had an obligation to take care of themselves and their family. And that meant earning an income and saving and investing. I was raised by a father who had me reading the stock tables when I was a little girl, and started doing that with my daughter when she was a little girl. I don't think you'll ever find anything that my husband or I said that in any way condemns the importance of making good investments and savings; or that in any way undermines what is the heart and soul of the American economy, which is risk-taking and investing in the future.

What I think we were saying is that, like anything else, that can be taken to excess. When companies are leveraged into debt, when loans are not repaid, when pension funds are raided -- all of the things that marked the excess of the 1980s are things that we spoke out against. I think it's a pretty long stretch to say that the decisions that we made to try to create some financial security for our family and make some investments come anywhere near there.

I also think that my husband and I made different choices than to concentrate on making money during the 1980s. We obviously wanted enough financial security to send our daughter to college, and put money away for our old age, and help our parents when we could. But we were primarily interested in, as in his case, in trying to provide opportunities for people in Arkansas and make a difference in their lives. And what I tried to do, both to help him and to work on behalf of children or education reform, was what was really important to us. So I think that is something that needs to be put again into a proper perspective.

Q In USA Today, somewhat in the same vein, you were reported to have opposed a special prosecutor, at least in the beginning, and some of the release of tax documents on the basis of privacy -- that you felt you had a right to privacy. Do you think that that helped to create any impression that you were trying to hide something?

MRS. CLINTON: Yes, I do. And I think that is probably one of the things that I regret most, and one of the reasons why I wanted to do this -- because I've had to really do a lot of thinking the last couple of months. You know, again, I was raised to really believe that what was important was what you thought about yourself and how you measured up to the standards you set for yourself. And think if my father or mother said anything to me more than a million times, it was, don't listen to what other people say, don't be guided by other people's opinions. You know, you have to live with yourself.

And I think that's good advice. I mean, I'm glad I got it as a girl growing up, and I've passed it on to my daughter. But I do think that that advice and my belief in it, combined with my sense of privacy, because I do feel like I've always been a fairly private

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person leading a public life, led me to perhaps be less understanding than I needed to of both the press and the public's interest as well as right to know things about my husband and me.

So, you're right, I've always believed in a zone of privacy. And I told a friend the other day that I feel after resisting for a long time I've been rezoned. (Laughter.) And I now have a much better appreciation of what's expected, and not only what I have done, because I am extremely comfortable and confident about everything that I have done, but about my ability to communicate that clearly and to give the information that you all need.

Now, to your other question about the special counsel -- I was not the only one of my husband's advisors who questioned the idea of a special counsel. I think those of us who did were concerned about the precedent that would be set by having such an appointment made when none of the existing standards that had always been in place had been met. There was no credible allegation, all of the things that usually are required. So I was questioning of that. But the President made the decision that we needed to get on with the business he came to Washington to do and that this was an important step to take, and I respected that decision.

Q Is it true that you represented Hayden Mackelroy (phonetic) in his lawsuit against REFCO?

MRS. CLINTON: Yes.

Q -- clients in the office?

MRS. CLINTON: Yes, I was Arkansas Counsel for Mr. Mackelroy.

Q And were you aware of the allegations against the company and against the Springdale office that he raised in his testimony? I know that you'd withdrawn from the case by then, but I wondered if you were aware of his specific allegations that trades were allocated by the brokers in Chicago on the instructions of the Springdale office after the close of business each day during the time you were trading?

MRS. CLINTON: No, not while I was trading, not at all. I did become aware of it when Mr. Mackelroy decided to bring his lawsuit, but I think there's a very important distinction. Mr. Mackelroy had a discretionary account. A discretionary account could, therefore, be influenced by the decision of the broker. I did not have a discretionary account. So even if Mr. Mackelroy's concerns were to have been found to have basis, which they didn't -- he was not successful -- that wouldn't have applied to my situation in any event.

Q Mrs. Clinton, do you know anything about Mr. Foster's death? Do you know what he wanted to tell the President that he didn't get to tell him?

MRS. CLINTON: You know, I don't know that he wanted to tell the President anything. That's the first I've heard of that. My memory is that the President actually came to Vance Monday night before he died. And when I talked with the President afterwards, he was stunned because the conversation was a very normal kind of a conversation. So I don't know --

Q I understood they made an appointment to talk not the next day, but Wednesday. And that would be the day after he died.

MRS. CLINTON: I don't know.

Q My question -- I'd like to follow up, too -- the first one has to do with Susan McDougal. She said that she brought the documents of Whitewater over to you at the Governor's Mansion. Did you receive all the documents? And, if so, what became of them?

MRS. CLINTON: I don't believe that we received all the documents in that way. Over the past several years, we have made a very deliberate effort to try to obtain documents, and every document that we have obtained has been turned over to special counsel, no matter where it came from.

Q And my follow-up has to do with the death of Mr. Foster, the way his office was sealed, and people who were in it. There's been a lot of criticism of the papers in Mr. Foster's office that some may have been removed.

MRS. CLINTON: Well, I know there's been a lot of concern and criticism about that. I cannot speak to that in any detail, but I know that the special counsel is looking into the circumstances surrounding Mr. Foster's death. And I assume he will issue a report about that, which I hope will put all these matters to rest once and for all.

Q You said just now that you decided that \$1,000 was as much as you could risk. Can you tell us what your understanding was of how much you could be at risk with the little amount of money that you and your family had then? We were told earlier that \$1,000 was what you were asked to put in. And, second of all, can you give us some explanation -- given that a cattle contract at the time, just one contract, was \$1,200 -- for the mystery of \$5,300 that was made really in the course of one day, or at least a few days, in the futures trade?

MRS. CLINTON: No, I can't. I do not remember any of those details. I've given you every record that I have about that.

The \$1,000 was what I wanted to start with. And it was what I thought was a good beginning, a good investment for me. And once I had made the initial return that I did, I reinvested that. This was a roller coaster. And what I believed was that I was getting very good information and that I would end up making money. But there were a couple of days when I lost money. And I knew that would be responsible for any losses that I suffered. But I did reinvest and I covered the losses by closing positions. And then I eventually stopped trading.

Q When you first started with the \$1,000, did you believe you were putting at risk more than \$1,000?

MRS. CLINTON: I believed that was certainly possible yes.

Q Then why take such a risky investment?

MRS. CLINTON: Because I didn't think it was that big a risk because I thought that Jim and the people he was talking with knew what they were doing. And I read a letter to the editor that somebody sent me in one of your newspapers, I think, which talked about a woman who invested \$1,000 during the same time and made \$750,000. Well, she had a stronger stomach than I did; I couldn't do that.

Q Can I ask you one more question about the \$1,000 which is why the White House is reluctant to provide that figure the news of your commodities trading first came out?

MRS. CLINTON: Because we didn't have the records at hand yet and I didn't want somebody saying what I invested until

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could actually get the records; because I thought that somewhere, buried in some box, I had some records left. I also thought, perhaps, I had my 1978 checks left; which, apparently, I do not have. That's why.

Q Mrs. Clinton, the records you've released to us already showed that you withdrew a large amount of money -- I think like \$15,000 -- from the REFCO account at one point and used -- on the same day made a \$10,000 interest payment on the Whitewater investment, which would have reduced your tax liability. Was that the reason that was done?

MRS. CLINTON: I don't have any memory of that, Gwen. I'm not saying it was; I just don't have any memory. There would have been nothing wrong with it -- it was my money -- but I don't have any memory of that.

Q I'm not saying there's anything wrong with it, but your intention in making this investment was not to offset some of the liability for the Whitewater real estate investment?

MRS. CLINTON: No, I mean, we went into Whitewater to make money, not to lose it. The embarrassing thing to me is that we ended up losing money and it keeps being beaten like the deadest horse there is, over and over again.

But in '78, '79 and '80, we were still hopeful that we were going to make money on our investment in North Arkansas. And the payments we were making, which were to service the loans primarily, we knew we would have to do as part of our obligations under the joint and individual liability we had for the mortgage.

But when the 1980s began, and real estate just took such a nosedive in Arkansas, I thought then -- and I think the President did, too -- that it was going to be very hard. But we had to hang on because we couldn't get off the mortgage. We had signed -- all four of us were individually responsible. If all the others had had some terrible accident, the one remaining would have been absolutely responsible for the entire debt.

And so it was a situation we got into with the belief that it would be a good investment and one that was, frankly, for us a passive investment; because up until then, if you had a little retirement community or retirement land in north Arkansas, people from the Midwest and South would buy the lots as fast as they could get them. And we didn't have anything to do with the operation or management of it; we just basically thought that eventually the payments by the owners of the lots would begin to pay us back and make a profit. And that never happened.

Q The Whitewater Development was set up, as you say, as a 50-50 partnership between the Clintons and the McDougals, meaning that you were liable for 50 percent of the losses or --

MRS. CLINTON: No --

Q -- 50 percent of the gains. And yet, by your own accounting, you lost half or even more of what the McDougals lost. This is according to the Lyons report. Doesn't that discrepancy represent some sort of gift or gratuity?

MRS. CLINTON: No. And let me say that, yes, the ownership of the corporation was 50-50. The liability on the underlying debt was 100 percent for each one of us. I mean, there was no gift in that. When my husband and I signed that mortgage, when we resigned guarantees, we assumed the whole responsibility. I mean, if Jim had gone into bankruptcy early on, if Susan had left,

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would not have only 50 percent of the obligation, we would have 100 percent of the obligation.

Q But why was it that the McDougals lost so much more money than you did? I don't understand that.

MRS. CLINTON: I can't answer that. We gave whatever money we were requested to give by Jim McDougal. He was the one who would say, here's what you owe on interest; here's what your contribution should be. We did whatever he asked us. We saw no records. We saw no documents. He was someone that my husband had known a very long time. He was someone who had been in real estate business with many people we knew, including Senator Fulbright. And we just assumed that whatever he needed he would ask for. And we didn't have any information to the contrary.

Q -- given that you were jointly in separately liable for all the debt and that you and your husband are both lawyers, that you would be so passive about a fairly substantial investment.

MRS. CLINTON: We were not real estate developers, and Jim had a track record. And I wasn't a cattle expert. I trusted Jim Blair, and it worked out for me. And I wasn't a real estate expert, and we lost money. Those things happen.

Q Just to get back to Linda's earlier question, one of the things that has been driving this is either the lack of explanations or the shifting explanations. And in terms of the way that your commodities trading was first described -- that you did the trades, you relied on some advice from Mr. Blair -- later it was revealed that Mr. Blair placed most of the trades, if not all of them. Can you explain what happened? Did you have a new recollection?

MRS. CLINTON: No.

Q Why the shift?

MRS. CLINTON: Well, if you just listen to what you said -- I did the trades. They were my trades. I was responsible for them. But I did them on the advice of Jim Blair, and very often he placed them for me. I'm not in any way excusing any confusion that we have created. I think we have created it because I don't think that we gave enough time or focused enough. I've been traveling, and I'm more committed to health care than anything else I do. I probably did not spend enough time, get as precise.

Different people heard different things that I said, or by the time it got passed to the third or fourth person, or one member of the press would call somebody in the White House, but somebody else would call another person -- so I think that the confusion was our responsibility. We did not give you a focused place to come, and we did not spend the time necessary.

There's not really a contradiction in what you said and what I said. But I can understand how somebody might assume that.

Q Now that we're talking about these confusions, I'll ask you about one other thing that I've had problems with. During the campaign, I think it was right after the primary debate between Jerry Brown and your husband, you made a statement in, I think, a Chicago restaurant that you never did any regulatory work for Madison Guarantee. When the letter went to Beverly Bassett Shafer (phonetic) about perhaps the legality of offering preferred stock, your name was at the bottom at that letter.

MRS. CLINTON: Right.

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Q Could you explain that?

MRS. CLINTON: Yes, I'm glad you asked that because that's another thing that I feel has gotten quite confused in the telling. And let me just try to describe what happened there.

When, in 1985, I believe, maybe '86, there was an effort made on the part of various financial institutions around the country to increase their capital net worth. They began looking for ways to do that. There was a very bright, young associate in our law firm who had a relationship with one of the officers at Madison, a young man whom he had known. They began talking. And if you'll remember what happened when the S&Ls were deregulated, many states were left wholly unprepared. They did not have a regulatory system in place; they didn't even really have good laws. And all of a sudden, there was no federal regulation to speak of, and so people were asking state governments whether things could be done.

Those two young men thought that it would be legal under Arkansas law for a savings & loan to issue preferred stock. But there was absolutely no law on that, and so they couldn't be sure. But they decided that what they wanted to do was to ask the person who regulated savings & loans whether it was legal. Not if Madison could do it, that was the second step. The first step is, could you even do it in Arkansas whether you were A, B or C, not just Madison.

When they talked about doing that, the young attorney in question needed a partner to serve as his backstop, and that was one of the rules we had in our firm. He knew that I knew Jim McDougal. He also knew that Jim had been a client of our firm in the past. This was not a new representation. So he came to me and asked me if I would talk with Jim to whether or not Jim would let the lawyer and the officer go forward on this project. I did that, and I arranged that the firm would be paid a \$2,000 a month retainer. And that was ordinary and customary. That would be billed against -- unlike retainers of some really big law firms that if you pay the retainer they keep it no matter they do any work for you, this was really an advance against billing.

That was arranged. The young attorney, the young bank officer, did all the work. And the letter was sent, but because I was what you call the billing attorney -- in other words, I had to send the bill to get the payment made -- my name was put on the bottom of the letter. It was not an area that I practiced in; it was not an area that I really know anything to speak of about.

At that point, the regulatory authorities, namely Beverly Bassett Shafer (phonetic), answered the legal question. And the legal question was, yes, it is permissible under Arkansas law to issue this preferred stock. Then the question moved on to the second phase, in which I had no involvement that I have any memory of or anyone that I've talked with -- that was trying to determine whether Madison could go forward. And I think that the securities commissioner acted absolutely appropriately. She answered the legal question -- yes, it is legal to do this. But as to Madison, she laid out conditions that had to be met -- for Madison to do it -- and Madison could never meet those conditions, and so they never issued preferred stock. So the legal question was answered, but Madison got no benefit at all from the answer of that legal question.

Q Can you clarify for us what documents were removed from Vince Foster's office after he died? And why they were there the first place?

MRS. CLINTON: Mike, I can tell you what I know, which is that I did not know that Vince had any of the documents related to our personal business in his office until after his death. What I believe he was doing with them was serving as a coordinator among c

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private lawyers and accountants and certain government officials, like the Office of Government Ethics, with respect primarily to our blind trust; because there were all these questions that had to be answered, and he was kind of the coordinator. The private lawyers would talk to him, and the Office of Government Ethics people would talk to him. I think that's why he had any documents of a personal nature in his office at the time of his death.

Q And to follow, why did your Chief of Staff, Maggie Williams, why was she among those who removed these documents from his office --

MRS. CLINTON: I don't think that she did remove any documents. I think that what happened is that after Mr. Nussbaum reviewed the documents, and after he did so, as I recall -- I was not here, I was in Arkansas, but I believe that that was done in the presence of officials from the Park Police and maybe some other agencies. Then Mr. Nussbaum distributed the files according to whom he thought should have them. There were files related to ongoing work in the counsel's office that needed to be passed on to other lawyers. There were personal files of Vince's that needed to go to his family. And there were these personal files of ours that went to our lawyer.

Q I'm wondering -- another question about this rezoning of your private and public lives -- I'm wondering what kind of a toll, if any, this has taken on your and the President's personal and political lives. And do you ever look in the mirror and wish that you just never got into this?

MRS. CLINTON: No, never, never. Some days are better than other days. I think what has helped me in the last couple of weeks, aside from some good friends who have talked to me and helped me get rezoned, if you will, is my belief that this is really a result of our inexperience in Washington, if you will; that I really did not fully understand everything that I wish now I had known. And it's a learning experience -- sometimes a difficult one, but I think one that both the President are anxious to do because we think that the reason he was elected was to deal with the big issues that we want the country to deal with.

And so it is a little disappointing if we in any way contribute to a diversion from that. And that's something that I don't want to have happen in the future, and I'm certainly going to try to be more sensitive to what you all need and what we need to give you, and do it in a more efficient and effective way the first time. Because, as I said earlier, I feel very confident about how this will all turn out. This is not a long-term problem or issue in any way, but I don't want anybody to have the wrong impressions of either of us. And I don't want anything to interfere with doing what the people of this country need done.

Q -- spoken -- the politics of personal destruction. Who do you believe are the main perpetrators of that?

MRS. CLINTON: I don't want to get into that. I don't think that that bears any real useful discussion. I think that what's important is for us, not just the President, but the entire administration, to keep focused on what really will stand the test of history, and what we really are trying to do for the country. And I can't really help it if some people get up every day wanting to destroy instead of build, or wanting to undermine. That's something that I try not to think about or dwell on and try to do what I'm expected to do, which for me is working on health care.

Q (Inaudible.)

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MRS. CLINTON: How does my husband ever make these choices? These are hard choices.

Q When was your last conversation with Vince Foster? And what was your understanding of the state of his mind?

MRS. CLINTON: I've thought about that so many times. I don't think I had any conversation with him for at least three weeks before he died, because we left for Tokyo somewhere around the 4th of July, is my best memory. And for about a week before that, I was very preoccupied with getting ready for the trip and doing the things you have to do. So I don't have any memory of having talked to Vince, and I never talked to him during the time that I was gone.

And, like every one of our friends, we've relived everything that happened or didn't happen -- the people who talked to him, the people who spent time with him, they question whether they said the right thing or whether they could have done something else. The fact that I didn't talk to him makes me wonder whether if I had called him, I could have picked up a clue. I just don't have any way of knowing.

Q Supposedly, he had been in depression -- or so we're told -- for a considerable period of time. Were you ever aware of that? Did you have any clue of what was going on?

MRS. CLINTON: No, and neither did people who spent the weekend with him, or saw him in the office that day. One of the things that I've spent a lot of time doing in the last months is trying to educate myself about depression. And my good friend, Tipper Gore, has been a great help on that, as have the people she's worked with on mental health issues. And I just hope that we get over the stigma that is still often attached to people admitting they need help or that they can't understand what's happening to them. I have no doubt now, in retrospect, and many of my friends now can reconstruct conversations or things they saw in Vince in those last weeks, but they didn't know, they didn't understand. And he didn't either feel comfortable or know himself.

So maybe out of all of this tragedy and the aftermath, all of the speculation -- maybe once we put to rest once and for all the fact that he committed suicide and that it was a tragic loss of one of the best people we've ever known, maybe it can do something to help other people understand what depression can do to you.

Q What was your personal reaction when you learned that Jay Stephens would be representing the RTC in a case against Madison?

MRS. CLINTON: My personal reaction?

Q How did you feel about the fairness of that decision by the RTC to hire him?

MRS. CLINTON: Well, I didn't understand it. But I don't know Mr. Stephens, and I assume he will be a very fair and judicious lawyer. I guess that's what I would expect.

Q You're not concerned about his being a Republican appointee and a U.S. Attorney appointed by President Bush?

MRS. CLINTON: Not if he abides by the code of professional ethics and does his job professionally, I'm not -- and you all keep an eye on him. (Laughter.)

Q Do you think, with the benefit of hindsight, that it was improper for you and your law firm to represent the federal government against a family friend, Dan Lassiter (phonetic), and

against accountants for Madison S&L without fully disclosing that you had been business partners with Mr. MacDougal?

MRS. CLINTON: Well, I don't know what was disclosed and what wasn't. Those were not my cases. Those were cases that came to the firm to other lawyers. I've been told that things were disclosed quite extensively. And certainly, in Arkansas, most things are known; and the relationship with Mr. MacDougal, the fact that Mr. Lassiter (phonetic) made campaign contributions to my husband, was certainly well-known.

In both of those instances, I don't think I had anything to do at all with the representation against Madison on behalf of the federal government -- at least I have absolutely no memory of having done anything on that case.

With respect to the Lassiter (phonetic) case, I think out of that entire case, I worked two hours as a favor to one of the lawyers who was out of town who asked me to review a pleading. And I have specifically inquired whether there was any ethical conflict with respect to that, and have been assured there was not. He was not a client that we had any obligation to. Thousands and thousands of people contributed to my husband -- that is not considered disqualification -- we were not personal friends or social friends. So I don't see any basis for saying that my work for him or against him, as limited as it was, amounted to any kind of conflict.

Q The real stumbling -- was four to six weeks ago; and Whitewater has subsided off the front page in the past couple of weeks. Why today? What's changed in the past couple of days that has made you want to come out here?

MRS. CLINTON: Nothing changed, really, except, I said, Helen spoke, so I heard that. But I just -- maybe I'm slow in kind of picking up subtle and not-so-subtle messages. But for me it was an evolutionary process. I really did -- and I see now how mistaken I was -- but I really did believe that every time I went anywhere in the country, I would have press availabilities. I would always answer the press's questions. Sometimes they'd have to wait -- Lind had to wait a long time when I finished doing local interviews and radio interviews in St. Louis; and some of the others of you have been in barns with me and other places like that; you sometimes have to wait. But I always said, are there any questions from the press? And sometimes I'd be asked Whitewater questions, sometimes not. Every time I did satellite feeds to local TV stations, I'd answer the questions.

So I really was under the misimpression that if I answered them in Rochester or I answered them in St. Louis or somewhere else, that should be enough. And I just didn't understand enough about being accessible to all of you or being accessible in Washington. And so I came to that realization, and that's why I'm here.

Q It's not just the press that has questions -- sometimes American citizens who talk to your husband at town meetin will. And one young woman in Charlotte asked him a question I'd like to pose to you. She said that in the future, about the First Lady's cattle future earnings and all these Whitewater allegations, many of us Americans are having a hard time with your credibility. How can you earn our trust back? Is there a fundamental distrust of the Clintons in America?

MRS. CLINTON: Well, I hope not. That would be something that I would regret very much. I do think that we are transition figures, if you will. We don't fit easily into a lot of preexisting categories. And let me speak just about myself. I came to this role, having worked my entire life. I started working in

summers when I was 13. I always worked -- I worked through college; I worked through law school. That's what I did. And after I married, I continued to work. And after my daughter was born, with the exception of the four months I took off for maternity leave, I worked.

Now, I took time off from work to do volunteer work -- like I took a long time off from my law firm work to work on education reform; or I would take time off to work on my husband's campaigns; or I would be in Washington on the Children's Defense Fund. I would certainly take a lot of time, but I was fundamentally working. And I think that having been independent, having made decisions, it's a little difficult for us as a country maybe to make the transition of having a woman like many of the women in this room sitting in this house.

So I think that the standards or to some extent, the expectations or the demands have changed. And I'm trying to find my way through it and trying to figure out how best to be true to myself, and how to fulfill my responsibilities to my husband and my daughter and the country. So I do think that there is some of that.

And then, additionally, as I have said earlier, I think that my fundamental belief in privacy and my feeling that we were being asked things and demands were being placed on us that had never been demanded of prior inhabitants of this house -- unprecedented, I think Arthur Schlesinger's words -- didn't make sense to me. I couldn't quite figure it out. And I resisted that. And I think I resisted it in ways that may have raised more questions than they answered. And I just don't think that was a very useful road for me to go down. And I'm trying now to better understand how to fit my personal needs and my own personal beliefs, and what I want to do with this role for the country, and the contribution I want to make into a broader context so that I can be as forthcoming and accessible as you need me to be.

Q On the subject of health care reform, two of the most controversial elements of the White House plan is the employer mandate and the mandatory health alliances. Do those two elements absolutely have to be in a final package in order for the President to sign it?

MRS. CLINTON: The President has made clear for many months that the bottom line is guaranteed insurance coverage for every American -- sometimes called universal coverage. And that really is the bottom line. Now, there isn't any way that we can think of to get there without either raising taxes or having some combination of employer and employee contribution. And we favor the employer-employee contribution. We think that is fairer, it is more familiar to Americans. It is how they now -- we now -- get our insurance. So we believe that the employer-employee responsibility is the right way to go.

Now, if the Congress, as it is now doing, is looking at alternatives, comes up with another way to do it that they believe will work and can get a majority, we're certainly going to look at that.

And the reason behind the alliances is to pool purchasing power among all of us -- small businesspeople and families, farmers, everybody -- so that we can get the lowest possible cost for insurance. But it is also to ensure that everybody gets the same affordable health care -- it's what's called community rating. And we want to be sure that we can enforce community rating.

Again, if the Congress has a different way of doing it we are going to be open and responsive to that. But those are the

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functions we want to perform -- financing universal coverage fairly and affordably and making sure that community rating is in place.

Q -- suggested a broad-based tax as one means of funding health care reform beyond just the employer contribution alone. What would the White House view be of that?

MRS. CLINTON: We're not going to comment on the congressional process while it's going on. We're encouraging every committee to be as careful and innovative as they can be to come up with solutions to the health care crisis. So we want the Congress to work.

Q Federal regulators have noted that in the mid-1980s, when Whitewater wasn't generating much in the way of income, the mortgage -- and you folks weren't putting too much money in -- the mortgage still was paid. And the question was raised in a memo from one regulator to her boss, shouldn't they have wondered, shouldn't they have known? Can you take us through your thought processes or contacts with the MacDougals of Whitewater during that period of time?

MRS. CLINTON: I really don't have anything to add specifically to that, because I'm not sure exactly what you're referring to. As far as I know, Madison always made it's required regulatory reports. And as far as I know, we always put in whatever money we were requested to put in.

One of the reasons why I'm now glad we have a special counsel is that I think we will, once and for all, whenever he issues his report, know exactly what everybody did. And I can't speak for anybody else besides my husband and me.

Q Do you expect to give testimony to Congress or to the grand jury or anything on your activities in Whitewater?

MRS. CLINTON: I don't know, but we will fully cooperate as appropriate with whatever we're requested to do.

Q One of the things that Congress will be looking at when it begins the hearing, and one of the first reports expected out of the special prosecutor, is the possibility of any evidence leading toward obstruction of justice. Do you have -- can you tell us what you're Chief of Staff, Margaret Williams, and your Press Secretary, Lisa Caputo, told you back in the fall? And what you told them about the meetings with federal regulators?

MRS. CLINTON: Nothing. And I don't know what their testimony is, so I can't comment on that.

Q Is there any reason for any -- is there evidence, whatsoever, to lead anyone to suspect there's any obstruction of justice involved, or that the White House said anything that would lead the people to call off their investigation or to think about it?

MRS. CLINTON: Not that I'm aware of, no.

Q Mrs. Clinton, can you tell us anything about stories about shredding of Whitewater documents down in Arkansas?

MRS. CLINTON: Nothing.

Q Particularly at the gubernatorial mansion?

MRS. CLINTON: Oh, that didn't happen. And I know nothing about any other such stories.

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Q You know nothing about documents relating to Whitewater ever shredded anywhere that you know about or authorized or didn't authorize?

MRS. CLINTON: Absolutely not.

Q Mrs. Clinton, following up on the RTC question, the memorandum reported in The New York Times from the investigator in Kansas City, says that Mr. McDougal kited checks and that the funds benefitted Whitewater partners who knew that Whitewater was not cash flowing and that notes for mortgages still were being paid.

Congressman Leach still says that he's convinced, he has no doubt whatsoever, that dollars were diverted from Madison into Whitewater and used to pay the personal loans of the then-Governor, of Mr. Clinton.

Are you convinced that no monies from Mr. McDougal or any of his related companies paid any obligations of yours or your husband's?

MRS. CLINTON: I know of nothing to support that. And I think we should wait and see what all the facts are because, you know, I just want to reiterate that we didn't even see any documents until late in the 1980s -- probably late '88 or '89. And so, I just don't have any way of telling you what went on from '78 to '88 or '89.

Now, I think we ought to wait until somebody who is a credible fact-finder, like the special counsel, look at everything and tells all of us at the same time what happened when, because we don't have any independent information to provide.

Q If I could just follow up -- the suggestion in the RTC memorandum is that the investors, presumably including you and your husband, knew or should have known that Whitewater was not cash flowing and that notes that should have been paid, whether Mr. McDougal asked you to pay them or not.

MRS. CLINTON: Well, shoulda, coulda, woulda -- we didn't. And the only thing I can say to that is when I was asked in late '88 or early '89 by the realtor who handled the sales in north Arkansas to help him, because neither Jim nor Susan McDougal were available any longer, we tried as best we could to do things like pay the taxes. And when owners of lots didn't fulfill their obligations, to try to resell the property -- things that were largely administrative at that point in time. And the fact is that by 1992, the loan was paid off. So I really don't know what that means.

Q Given what you been through, do you have any greater appreciation of what Richard Nixon might have been going through back in '74? (Laughter.) And what are your thoughts about him? How do you think history will judge him?

MRS. CLINTON: Well, I don't know that it's time to start talking like that yet. I think that -- what I think we ought to be doing is praying for President Nixon. And from my perspective you know, it was a year ago April that my father died at the age of 81. And so, you know, I'm just mostly thinking about his daughters right now.

Q Mrs. Clinton, you have said that when you were at the Rose Law Firm, you didn't share in any of the profits that the firm earned from its representation of state agencies. When did you begin that practice? And did that also include any profits from the firm's facilitating the sale of bonds with the Arkansas Development and Finance Authority?

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MRS. CLINTON: I don't remember the exact year, but I made the decision not to share in the profits around the time I became a partner from any representation of state agencies -- anything that could be considered tax money.

For a couple of years, I did share in the benefits from bond underwriting. And then I decided I shouldn't even do that, so I paid the firm back. And from that point in time I did not share in either fees from state agencies or fees generated by any kind of bond underwriting at all.

Q And did you have any part of the \$2,000 a month retainer? Did you share in that, in any of that?

MRS. CLINTON: You know, I might have to a very minimal amount for whatever little bit I did on that. But at the end of about a year, I believe, we were no longer representing Madison because, as I explained, they were not going to get to issue preferred stock. They could not do it because of the conditions that Beverly Bassett Shafer (phonetic) had imposed.

So, in fact, we returned money to Madison. I remember writing and signing the letter to Jim McDougal saying we have fulfilled the work we have done for you; we are still holding some of your retainer; there doesn't appear to be any continuing work to be billed against it. So I sent him a check back.

Q Mrs. Clinton, what do you account for the decline in the support of the Clinton health plan? Do you think that the suspicions and questions which have come out of these matters has spilled over on that and affected people's ideas about just how honestly and efficiently government can deal with life or death?

MRS. CLINTON: Mary, I think that's a real important question. I do believe that some of the opponents of health care have certainly tried to use Whitewater as a proxy for their opposition to health care. I think that in the last several days, some of the leading opponents of health care have even said things which seem to suggest that.

I find that very regrettable. I mean, if someone wants to argue about the future of health care in our country, I think the debate ought to be about health care. And I have absolutely no problem with someone saying, I don't like alliances, or I think we ought to have a different benefits package. That's what I believe democratic debate ought to be about. But I do think that some have tried to use this to undermine support for health care.

On the other hand, there has been continuing concern about the health care plan, if you go back and look at the very first time it was introduced back in the fall, because this is big issue; and I think people want to be sure we get it right. But every time you ask the specific questions about what is it people want, I think you can get a pretty good idea of where they want us to go. I hear people do want health security, and they do want guaranteed benefit

And the big majority of Americans think the right way to do it is through the workplace, with employer-sponsored health insurance. And I think people want Medicare preserved and improved with prescription drugs and long-term care. And they certainly want to outlaw the insurance practices that discriminate against people with preexisting conditions and impose lifetime limits. And they want to preserve choice of doctor and choice of health plan.

So if you take the elements of the President's plan, if you look at the polling data that I have, you sometimes get the contradictory results where, if you say to people, do you support President's plan, they think about the last ad they've seen; or me

they've gotten one of these incredible direct mail letters that the sky is falling. It's really just stuff that's been recycled from the fight against Medicare, just new names and new addresses. But when you get to the specifics, there are majorities of Americans for most of the specifics. And I think that's what the Congress is sorting out right now.

So I'm not surprised, and I'm not in any way concerned that we're at this point in the process. I think this is where we would likely be as we're dealing with one of the most important social issues in our country's history.

Thank you very much.

Q Can we do this again --

MRS. CLINTON: Well, you know what? Let me say, one of the things that I didn't mention that influenced me is, a friend of mine gave me a thesis the other day -- gosh, I think it was like Tuesday or Wednesday -- about Eleanor Roosevelt's press conferences. She had 340 press conferences, right -- 340 press conferences during the time.

Q You're my tenth president's First Lady.

Q Will you be doing it, Mrs. Clinton? Will you be doing it --

MRS. CLINTON: Yeah, I think it sounds like fun.

THE PRESS: Thank you.

END

4:45 P.M. EDT

Foster 2000146

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WITH:

PHILIP B. HEYMANN, DEPUTY ATTORNEY GENERAL

ROBERT LANGSTON, CHIEF, US PARK POLICE

ROBERT BRYANT, SPECIAL AGENT IN CHARGE OF

THE WASHINGTON METROPOLITAN FIELD OFFICE, FEDERAL BUREAU OF
INVESTIGATION

SUBJECT: REPORT ON DEATH OF VINCENT FOSTER,

FORMER DEPUTY ASSISTANT TO THE PRESIDENT

US JUSTICE DEPARTMENT

WASHINGTON, DC

BODY:

MR. HEYMANN: Ladies and gentlemen, we are here today to announce the results of the inquiry into Vince Foster's death. I received an FBI report this morning, a Park Police report last Friday just got into my hands on Monday. As you all know, Park Police have been taking the lead in investigating the cause of death. The FBI has been assisting in that investigation and separately investigating the circumstances surrounding the finding of the note. The chief of the Park Police, Chief Langston, and the special agent in charge of the Washington field office of the FBI, Mr. Bryant, are here today. They're here to describe their findings to you and to answer any questions you have. I have directed that the full text of the note that was found be made public now. At the very strong urging of the family of Vince Foster, we are not making available photocopies of the note itself, but knowing that some of you may want to see it so that you can describe what it looks like, Carl Stern will have a copy available and anyone who wants to see it is welcome to see it. We just don't want to distribute it.

There are in the note some statements, which to be sure that no stone was left unturned, we have referred to the units which the attorney general asked some weeks ago to review any questions about the travel office -- the Office of Professional Responsibility, and the public integrity section. As to these assertions in the note, the Office of Professional Responsibility is looking at the sentence dealing with the FBI as part of its broader inquiry into the FBI contacts with the White House in accordance with the attorney general's letter to Chairman Brooks promising that we would look into the FBI's contacts. As to the remaining assertions, the Public Integrity Section of the Criminal Division is looking at them as part of its mandate -- also from the attorney general, also in response to Chairman Brooks -- to review all travel

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office matters. Now, there's one that is not a travel office matter, and as to that one, which I don't even have it in front of me to describe it, involves the ushers. While the inquiry into these assertions is not totally complete, I am told that based on its interviews to date, nothing has led the Public Integrity Section to suspect any criminal conduct that would then have to be investigated. I will also hand out or make available to you my instructions last week to the Public Integrity Section and to the Office of Professional Responsibility asking them to look into these matters.

The FBI joined the Park Police in the initial stages of the inquiry into Vince Foster's death because of his status as a federal official and assassination statutes. As it became apparent that this was a suicide, the FBI gradually assumed a secondary role to the Park Police. The bureau reentered the inquiry at our request to examine the handling of the note. And with this, I think I should turn you over to Chief Langston. Chief?

CHIEF LANGSTON: Good afternoon, ladies and gentlemen. The United States Park Police has completed its inquiry into the death of Vincent Foster and, as you are aware, that occurred on the 20th of July at Fort Marcy National Park. It's a component of the George Washington Memorial Parkway in Fairfax County, Virginia.

The condition of the scene, the medical examiner's findings and the information gathered clearly indicate that Mr. Foster committed suicide. Without an eye witness, the conclusion of suicide is deducted after a review of the injury, the presence of the weapon, the existence of some indicators of a reason, and the elimination of murder. Our investigation has found no evidence of foul play. The information gathered from associates, relatives and friends provide us with enough evidence to conclude that Mr. Foster's -- that Mr. Foster was anxious about his work and he was distressed to the degree that he took his own life.

That's the end of a brief official statement. I'd like to say to the press and to the media that we're not really equipped in the Park Police to answer the numbers of phone calls that came into Park Police headquarters, and let me apologize if we were a little short or there was a delay getting back to you. We had probably over a thousand phone calls over my three lines at my office, and it was kind of hard to conduct business.

I'll be pleased to answer any questions at this time regarding this death investigation.

Q Chief, have you ever found the person who reported it to the park maintenance man? And do you -- were you able to trace the source of the gun?

CHIEF LANGSTON: We can only identify that a white male in a white van may have been the person that notified a park maintenance employee at the Turkey Run maintenance center, and that white van was also placed in the parking lot near the time of the incident.

MR. HEYMANN (?): Chief, let's bring special agent in charge -- (inaudible).

CHIEF LANGSTON: Thank you. Bob?

Q Was the -- the Fairfax police, were they notified at all?

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CHIEF LANGSTON: The emergency 911 was notified, and the Fairfax County Police notified the US Park Police of the incident.

Q Were (any ?) people there when you got there or anything like that?

CHIEF LANGSTON: There was no one there, to my knowledge. Bob, you want to make a statement first.

MR. BRYANT: Ladies and gentlemen, I'm Bob Bryant, and I'm special agent in charge of the Washington metropolitan field office of the FBI, and I want to make a few brief comments to you. First, what we have here is a great sad tragedy in our community, and it's -- initially when there is a death of a high government official that's covered by the assault or the assassination statutes, the FBI as a matter of course establishes liaison with the police agency that has the primary lead, in this case the United States Park Police. We followed this case from the time we were notified until we were basically of the opinion, along with Chief Langston's staff, that this was a suicide.

Subsequently, there was an issue raised about a note and the question of what the note -- the handling of the note and the processing of the note and its turnover to the United States Park Police or law enforcement. We were ordered then by the Department of Justice to look into the handling of this note and to bring that investigation to the forefront, and we did that in recent times. And that's the time when we re-entered the investigation. I would just like to say that during this time the cooperation between our two agencies has been outstanding, and I'm sure there are a lot of questions around this, but I'll turn it back over to Bobby or -- (Cross talk)

Q (Inaudible due to cross talk) -- could you tell us what you found out about the handling of the note?

MR. BRYANT: The note was initially discovered on July the 26th, 1993 at 4:00 p.m. by an aide who was inventorying Mr. Foster's office. The note was reviewed. It was torn up into several small pieces. It was put back together. And then there was concern by White House staff about executive privilege and about family interests. The note was subsequently reviewed by the wife and her attorney -- Mrs. Foster -- and was then reviewed by the president for executive privilege issues. And then after these 30 hours had passed, the note was turned over to Chief Langston's people on July the 27th at 9:15 p.m. (Cross talk)

Q Mr. Bryant, why -- what about what the delay?

Q (Inaudible due to cross talk) -- whether that was appropriate handling of the note, because that's -- (off mike)?

MR. BRYANT: The handling of the note by the White House staff, certainly, they had interests there as far as executive privilege and certainly sensitivities to the family, and they were reasonable.

Q They were --

Q They were reasonable, you said, Mr. Bryant?

Q What did you say --

MR. BRYANT: I said they were reasonable.

Q Well, what's the relationship between what he says and he has a family? This is all the

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government business.

MR. BRYANT: I'm sorry, you -- what are speaking from?

Q I'm reading from the note.

MR. BRYANT: So --

Q Reading from what --

MR. BRYANT: -- the -- the content of the note was not examined by us. The handling of the note by the White House staff and its subsequent turn-over to the Park Police was what we looked at.

Q Who first told you this was a suicide?

MR. BRYANT: Well, I think while we were with the United States Park Police, it became reasonably apparent that it was a suicide.

Q Sir, do you have any concerns about the delay in the time that the White House did turn the note over to you?

MR. BRYANT: I think that the -- the concerns that they were working from were reasonable. We would probably have liked it to have been a little sooner, but we understand what was going on. I'd leave that to Bobby to answer, too. Q How much sooner would you have liked to have seen --

MR. BRYANT: I can't answer that question because there are executive privileges and family interests here that are certainly very strong interests. Q Reading these -- these things in this note --

Q That's no question that this note, that this --

Q -- I don't see any family interests.

Q Let me finish my question. There's no question that this is his note, his handwriting, that you took it. Did you do forensic on it? Are there fingerprints?

MR. LANGSTON: Yes. It's -- it's been identified by an expert in handwriting. Also, it was identified by the wife, Mrs. Foster, as being his handwriting. Q How many people handled it? Are there -- a sense of how -- was it passed back and forth, or just his fingerprints on it?

MR. LANGSTON: It was handled by a number of people at the White House. And it was processed there were no real discernment of prints that could be identified. Q Mr. Bryant, what precisely were the executive privilege concerns that the White House staff cited to you from the note?

MR. BRYANT: I think that when you have at the highest levels of government, I think any document, they would want to examine it as to whether there is information in there that might be privileged, and I think that's what, in fact, occurred.

Q Was there any -- is there anything in --

MR. BRYANT: I think --

(To staff ?) Had the note been turned over?

MR. LANGSTON: I'm sorry.

MR. BRYANT: Has the note been turned over?

I think it has, so I think that answers your question.

Q Yeah, but --

Q So there were no privileged --

MR. BRYANT: No.

Q Let me ask --

Q Mr. Bryant?

Q Let me ask you this: Were you able to determine what took the bulk of the 30 hours? Was

it giving it to the family first?

MR. BRYANT: I think they had -- if you will remember -- go back to the time here, we had a death, a family traveling back and forth from Little Rock, an attorney involved, and also the president's schedule. And there were issues there that they thought were paramount to have a review done, and they were, in fact, done. And that's what accounts for most of the 30 hours.

Q Mr. Bryant?

Q Who's to blame, Mr. Bryant? Who at the White House was exerting this thought of executive privilege in the family? Is there a name of a person you can give us who was your contact there?

MR. BRYANT: Well, I think we working through Mr. Nussbaum. Q Who was the aide that was examining the --

MR. BRYANT: I'm really not going to get into that. I don't think I want to -- Q You already --

Q Mr. Bryant?

Q Why wouldn't you get into that?

MR. BRYANT: Because I would just prefer not.

Q Mr. Bryant --

MR. BRYANT: Gary? Q Mr. Bryant?

Cross talk.)

Q How do you know that the circumstance is that the note was left in the briefcase torn up? When discovered the note? How certain are you that the note was torn up by Mr. Fosse and left in the briefcase? And, if so, how do you reconcile the fact that he tore up a suicide note?

MR. BRYANT: Okay, Gary, first, the note -- the -- I don't -- whether it's a suicide note or not, I don't know. It certainly comments about what's going on, first. The note was torn up into 27 pieces. It was in a briefcase that was discovered on the 26th.

Q Sir, this sounds like all this material that he might have been going to discuss -- he had an appointment, I understand, to talk to the president on Wednesday after he died Tuesday. He made this appointment Monday night. This sounds like this all the stuff that they were going to chat about.

MR. BRYANT: Well, I don't know --

Q Do you know for sure --

Q Could you give us a sense of what you think he was talking about when he seems to allege in this note that the FBI lied to the Justice Department? Have you got --

MR. BRYANT: I'm not really going to get into what his state of mind was or this type of thing. The facts are -- what was written down, you have. And it'd just be sheer speculation on my part or Chief Langston's.

Q Sir?

Q Are you saying the FBI hasn't discussed this with the White House counsel's office at all, that you have not had a conversation about this particular line in the note, that no one at the counsel's office --

MR. BRYANT: I think Deputy Attorney General Heymann suggested that certain aspects of this note are under inquiry by professional responsibility, and I think that's what he's referring to.

Q Do you know why --

Q (Inaudible.)

Q Do you know for sure that there was no other note left by Mr. Foster anywhere? Do you know that he did not leave any note for any member of his family? MR. BRYANT: We've conducted over 30 interviews to determine what happened to this note, the time schedule, and we've run down numerous comments and suggestions of other notes, and we've found them all to be without fact. (Cross talk.)

Q Do you have any indications that --

Q You haven't really answered the question about the gun, where the gun came from, how he got the gun.

CHIEF LANGSTON: We probably ought to -- we ought to probably clean up any other comments about the note before we move on to the gun.

Q Well, can I ask you just about --

Q Mr. Bryant?

Q On that Thursday, two days after, you have this going through his materials by Bernie Nussbaum with people here sort of looking on, the FBI looking on, the Park Police looking on. Do you have any concerns that Bernie Nussbaum was the guy who was basically searching the office and you guys were sort of standing around?

CHIEF LANGSTON: Let me comment on that. We certainly weren't pleased at the way that was conducted. Our investigators would like to have seen that briefcase and would like to have examined the content of files. It was -- executive privilege was invoked. And we raised those concerns with the Justice Department, and those concerns from the Justice Department were raised with the White House. And the White House that became very compliant, and everything that we had asked for, they provided to us fully.

Q Do you have any sense, Chief, of why this note wasn't found in the first office search?

CHIEF LANGSTON: It was ripped up into 28 small pieces and evidently was -- Q
Twenty-five.

CHIEF LANGSTON: Well, there is some controversy over that. (Laughter.) Q The FBI can't count?

Q What fingerprints were found?

Q I'm sorry. I'm sorry, you were answering the question about why you think it wasn't found.

CHIEF LANGSTON: Well, obviously, the search of the briefcase was done out of the sight of our investigators and the agents. Papers were being pulled out. And it was overlooked is what was --

Q (You are in the ?) executive department. Why in the world was anybody conducting executive privilege against you?

CHIEF LANGSTON: I can't answer that, ma'am.

Q Sir, what fingerprints did you find on the note?

CHIEF LANGSTON: I don't believe anything discernible.

MR. : There was one smudged palm print.

CHIEF LANGSTON: One smudged palm print.

Q Chief Langston, the fact remains you don't know, do you, who tore the note up and put it in the briefcase?

CHIEF LANGSTON: No, we don't, Gary, but we have -- in interviews with the wife, she encouraged her husband to write down a list of what was bothering him. And she believes that that may have occurred a week to a week and a half prior to when he was found at Ft. Marcy. So, it could have been anytime between a week and a half and the time that --

Q There's no question that he wrote it, I understand that.

CHIEF LANGSTON: Yes.

Q But there is a question that somebody on the White House staff might have discovered the note elsewhere and torn it up and put it there?

CHIEF LANGSTON: That would be speculation. I could not comment on that.

Q Gentlemen, the note refers to both the president and Mrs. Clinton. Did anybody interview the president or Mrs. Clinton as part of this investigation?

CHIEF LANGSTON: Not from the Park police, no.

MR. BRYANT: We did not.

Q Why not? The president was one of the last to talk to him, had a meeting with him the day following the suicide --

MR. BRYANT: I think what we were trying to do here first was trying to find out if there was a violation, if he'd been harmed, you know, assaulted or assassinated or whatever. We concluded no. The second part of our inquiry was the note, and we didn't consider the president or Mrs. Clinton to be relevant witnesses to that.

Q Why?

MR. BRYANT: Because in our investigative view, they were not. Q Did anyone on the White House staff talk to you about that? Did they -- did you approach anyone at the White House staff about interviewing the president or the first lady? Did they attempt to discourage you in any way?

MR. BRYANT: No.

Q So, you never talked to anyone on the White House staff at all --

MR. BRYANT: We talked to many members of the White House staff first about the note and the handling of the note. As far as the interviewing the president, no, we did not because we did not consider them to be relevant.

Q Why was a loose end not tied up? I mean, if you want to make sure it's thorough and you know this question is going to come --

MR. BRYANT: I suggest to you that it's a very thorough investigation.

Q Is there any indication that Mr. Foster had in the past been treated for depression or had ever talked about taking his own life?

CHIEF LANGSTON: No. He had been encouraged to see several doctors, and I think he had a doctor in Arkansas who was prescribing to him some medication. That doctor was, I think, just a regular general practitioner who had prescribed some medication.

Q What kind of medication?

CHIEF LANGSTON: He may have taken one dose of that prior -- maybe a day or two prior to, but the medical examiner found no traces of any drugs in his system.

Q What medication was that?

CHIEF LANGSTON: I'd have to -- I don't have that on the tip of my tongue. I'd have to provide that.

Q Was it an anti-depressant?

CHIEF LANGSTON: I believe that it was, yes.

Q Are we going to get the autopsy report?

Q Was that the first time he had been prescribed an anti-depressant? Was that the first time in his life he had been prescribed an anti-depressant?

CHIEF LANGSTON: I have not -- I don't have that information.

Q Was the doctor interviewed?

CHIEF LANGSTON: I believe so.

Q Did the doctor say why he would mail an anti-depressant to somebody when most people would provide a full psychiatric workup before you take them?

CHIEF LANGSTON: I believe that Mr. Foster had gone through a recent medical from that doctor and had been under his care.

Q A recent psychiatric workup?

CHIEF LANGSTON: No. I think just a recent medical examination.

Q Was it Prozac or was it --

CHIEF LANGSTON: It was not Prozac, but I can't recall the name of the drug. It started with a "T," is the only thing I can recall.

Q Chief, you said that Mr. Foster's wife had urged him to write down what was on his mind. I know there are sensitive family concerns here, but what can you tell us about what she suggested to him that he do with this after he write it down?

CHIEF LANGSTON: Oh, I think she just wanted him to vent. I can't speculate on why she asked him to write it down, but --

Q She didn't tell you that she said write it down and take it to the president or write it down and bring it home and talk to me about it?

CHIEF LANGSTON: No. I was not the investigator, so I wasn't interviewing her, and I didn't see that in the investigation.

Q (Off mike) -- sure that this was definitely a suicide, why did the FBI begin to work around and see if this was something else?

CHIEF LANGSTON: The FBI was in it because of the public official aspect of it, the possible homicide --

Q I know that, but why was the FBI looking at this to see if he had been assaulted if you were so sure it was a suicide?

CHIEF LANGSTON: Every indication led to that point on the scene. Q (Off mike) -- FBI man answer that, will you?

CHIEF LANGSTON: Yes, ma'am.

MR. BRYANT: I'd be delighted to answer that question. Any time there is an assault or a death under suspicious circumstances of an official covered by the assassination or assault of a federal officer statute, we immediately put agents with the primary or lead agency, in this case United States Park Police, to determine the circumstances. As we became convinced that it was, in fact, a suicide, we subsequently started to withdraw, and then the issue with the note and the 30-hour issue, and then when we were ordered back in by the Department of Justice to examine the circumstances of the turnover of the note. And that's the chronology --

Q What does the autopsy show?

CHIEF LANGSTON: The autopsy showed that he was free of any disease, that he had no drugs in his system, and that he died from a single gunshot wound that entered through the mouth and upward into the brain.

Q Can you tell us anything about the origin of the gun, or have you traced the gun?

CHIEF LANGSTON: The gun has a serial number on it, and if you're familiar with a Colt weapon, there are normally two numbers on each Colt weapon. One is called the serial number and one is called the butt number. There was some confusion that there may be two guns on the scene. I'd like to put that to rest. There is one gun on the scene. There's not a matched pair that we know of. A photograph of that gun was sent to the family in Arkansas to see if that was part of the father's collection. Evidently the father had died and had a gun

collection. It was a 1912 Army Colt special. It was not traceable. It was not registered. It was not registered here in the District of Columbia, nor was it registered in Arkansas. The gun was similar to that in his father's collection. It was identified by a sister who looked at the photograph and said that is similar to the weapon that was in her father's collection. There were some ornate swirls on the handle of the Colt. She identified that that was the same. And -- but nowhere does that serial number come back to any one that we can recognize.

Q Can you tell us, did he have the gun in the White House or did he go someplace else to pick up the gun?

CHIEF LANGSTON: We cannot trace that.

Q Can you tell us about the time period --

Q Can you tell us about -- can we finish with the gun?

Q Okay.

Q Can you tell us whether or not -- in other words, was it believed that he had that gun?

Does the family think that that gun had been in Vince Foster's possession?

CHIEF LANGSTON: Yes.

Q And what can you tell us about the time period -- there was a period of four or five hours when he left the White House and when he was believed to have committed suicide. What do you know about that time period? CHIEF LANGSTON: We know that he had a full meal, and we cannot identify where that was, and that's strictly because the medical examiner said that he had a full meal. We cannot, from the time he left the White House, cannot account for the time. The body was discovered at 1800 hours, which is 6:00 p.m. It may have been there for an hour to two hours.

Q Chief, you've not been able to recover the bullet?

CHIEF LANGSTON: The bullet has not been recovered.

(Cross talk.)

CHIEF LANGSTON: I'm sorry?

Q Who was the last person to see him alive that you interviewed?

CHIEF LANGSTON: I cannot tell you that. It is in the interview statements. I'm not sure who that is.

Q Was it a White House official or his family?

Q Was there anything remarkable about the last known conversation with Mr. Foster that stands out in terms of his suicide?

CHIEF LANGSTON: I can't answer that.

Q Why?

CHIEF LANGSTON: I don't know. That's -- no knowledge of it.

Q Was he receiving anti-depressant drugs? And what's the name of the doctor who sent them to him?

CHIEF LANGSTON: I will provide that to you later, but I don't have it with me right now.

Q Chief, can you shed -- or Mr. Bryant -- any light at all on this line about the usher's office and the name Cocky (sp) and HRC?

CHIEF LANGSTON: No, I can't.

Q Can you give us any idea what that means? The line is: "The usher's office plotted to have excessive costs incurred taking advantage of Cocky (sp) and HRC."

MR. BRYANT: I don't know.

CHIEF LANGSTON: I believe Cocky (sp) is somebody in the White House and HRC is

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Hillary Rodham Clinton, I believe. That's what they speculate.

Q I'm sorry, that's what who speculates?

CHIEF LANGSTON: That was just -- that was given to me by one of my investigators that they thought that's what that meant.

Q Sir, in the collection of all the interviews, was there a general sense that he was very depressed?

CHIEF LANGSTON: Oh, yes, very much so -- from the family, from friends, from his writing, from the doctor -- that he had been going through some tough times accepting some of the problems that had occurred there. And I think you can see in the note that certain situations had occurred that he was directly responsible for.

Q Well did he say to friends that he was having a difficult time? CHIEF LANGSTON: I don't know if he did or not. I think his wife acknowledged the fact that he was really down. As a matter of fact, they had called the office to see how he was doing. And I think the friends pretty well acknowledged that he had been acting a little down.

Q Any indication when the note was written?

Q Did they indicate how long --

CHIEF LANGSTON: Yes, ma'am? I'm sorry?

Q Did they indicate how long he had been down, how long they'd been noticing this?

CHIEF LANGSTON: I think probably it had to extend back over a week or two. Q Did you figure out when this note was written, other than Mrs. Foster's suggestion that she told him to write down what was bothering him?

CHIEF LANGSTON: No. She said that he had suggested that about a week and a half prior to the death. It could have been written any time in there.

Q When he leaves the White House, does he log his car out? Did you find the logging? Is that the person who might have last seen him? How did he get his car out of the parking because they usually log them in very carefully.

CHIEF LANGSTON: I'm sure that's part of the investigation, but I cannot tell you.

Q Well let's come back to this last person for a minute, if we could, because that is strange. In this kind of investigation I would think you would want to know somebody who saw this man directly before death. Do you have any witnesses who saw him outside of the White House after 1:55?

CHIEF LANGSTON: No.

Q Where does the investigation go from here?

Q Let me just finish. Could I -- I have one more thought on that, ma'am? Have you interviewed his secretary? Did she see him?

CHIEF LANGSTON: Yes.

Q Have you -- you don't know that, for example, Mr. Nussbaum was the last person? Do your investigators know, Chief --

CHIEF LANGSTON: Yes, they do. No, I don't know. My investigators do know. Q (Inaudible) -- very quickly so we can find that out? That seems a little bit crucial, because there are suggestions that a very senior person saw him right before he left. And so naturally we want to lay that to rest.

CHIEF LANGSTON: Sure.

Q Did you examine his phone --

CHIEF LANGSTON: We'll get back on that.

Q Did you examine his phone logs?

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CHIEF LANGSTON: I'm sorry. Go ahead.

Q Where does the investigation go from here?

CHIEF LANGSTON: The Park Police has concluded its investigation into the death inquiry of Mr. Foster.

Q What about the FBI?

MR. BRYANT: And we've concluded our investigation as to the handling of the note.

Q Gentlemen, there's a lot of serious statements here. Aside from the -- you said you would follow up on the FBI line in the Justice Department. Will the rest of this be looked into? A man did, apparently, give his life because of these concerns. You're saying it's over. Does that mean all these things about the travel office and so on will not be looked into?

MR. BRYANT: I think some of those inquiries are ongoing. Certainly the travel office and the issues about the FBI -- some of those are ongoing.

Q What about his telephone logs?

Q Did you -- have you kept a copy of Heymann's letter?

Q Did you all examine his telephone calls?

MR. BRYANT: Yes, we did.

Q You did? And did that lead you -- did that tell you what officials in government he had been talking with that might have contributed to his distress?

MR. BRYANT: Well, we asked for 2-1/2 weeks prior to his death of telephone logs. We did receive that.

Q What were the main offices he dealt with during that time?

MR. BRYANT: I don't have that information with me. I'm sorry.

Q Are you going to make that public, those offices, that phone log?

MR. BRYANT: It's part of our investigation. I doubt it will be made public, ma'am.

Q Chief --

MR. STERN: Let's just take a couple more questions, and they've got to get back to work.

Q Is there any indication of why he chose the place --

Q What about the phone logs? Will you --

Q -- he chose to shoot himself?

CHIEF LANGSTON: No, ma'am.

Q Was there anything that happened on that date that indicates -- that may have sparked this? Is there --

CHIEF LANGSTON: Not to our knowledge, no.

Q Chief, is there --

MR. STERN: Saffire?

Q Mr. Bryant, the line that says the usher's office plotted to have excessive costs incurred, might that have been a federal crime? And would the FBI look into that?

MR. STERN: Bill, you came in late. We did distribute a letter from the deputy attorney general that indicates how those matters will be pursued. (Cross talk.)

Q You didn't distribute it over here.

MR. STERN: Okay.

Q Well, what are these --

MR. STERN: I'll make -- Sarah, will you please?

Q (Inaudible.)

MR. STERN: We'll make sure that he -- I thought it was passed out on your side. If it wasn't, we'll get you copies. Let me just say one last thing. There are some of you who obviously

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would like to see a photocopy of the original -- of the note in its original form. If you want to come to my office after this session, I'll be happy to show it to you, but we did want to respect the family's wishes. But if you wish to see it in terms of where there are scratch-outs, interlineations, scribbles, anything like that, I do have one photocopy. And if you want to come to my office --

Q So we can't get a copy?

MR. STERN: No. But if you'd care to come to office to look at it -- Q Sure.

MR. STERN: I understand your journalistic need to describe the note to your readers or to your viewers.

Q For those of us who don't usually cover Justice, could you tell us where your office is?

(Laughter.)

MR. STERN: Just passed the men's room.

(Cross talk.)

MR. STERN: Thank you. Thanks a lot.

Q Wait a minute, sir!

Q From which office are we getting the report?

MR. STERN: The report --

Q When is it being released?

MR. STERN: As soon as the FOIA section processes the report, it'll be available to you. That has already started before this meeting even took place.

Q Do you have to file a request or is it going to be released to everybody at once?

MR. STERN: The normal practice of the FOIA section is to call the people who have requested it and let them know that it's available and to ask them whether they would like it mailed or would they like to pick it up. (Laughter.)

Q Who do we tell --

MR. STERN: If you'll send an FOIA to Philip Heymann, the deputy attorney general, or to me, we'll make sure that it gets up to that section.

Q This question is to both of these gentlemen here. You say this man was in great depression and he'd been dissatisfied with the government. Therefore we certainly need to know what departments and what agencies of government he talked with recently, and that would be in the telephone log, and you're not going to make that public?

MR. STERN: Sarah, if you put in a Freedom of Information Act request, we'll make sure that it's handled.

Q (Off mike) -- Freedom of Information Act -- (off mike). I want to know what --

MR. STERN: Okay, Sarah.

Q -- (off mike) -- of things we should know now. Are you going to give it to us or are you not?

MR. STERN: Sarah, I don't think we have that available at this -- at this point. Q Well, why don't you?

MR. STERN: You want some special servicing? Is that it? You're not content to wait and do it the normal way, through a Freedom of Information Act request? Q No. Hell, no. I'm not --

MR. STERN: Okay.

Q -- going to wait on that.

MR. STERN: Thank you very much.

END



IN REPLY REFER TO

United States Department of the Interior

2000164

NATIONAL PARK SERVICE
HEADQUARTERS, UNITED STATES PARK POLICE
1100 Ohio Drive, S.W.
Washington, D.C. 20242

93 SEP 17 P3:49

P36 (NCR-PPIA)

SEP 3 1993

Foster
Guindale

Mr. Bernard Nussbaum
Chief Counsel to the President
West Wing, 2nd Floor
White House
Washington, D.C. 20500

Dear Mr. Nussbaum:

While processing a Freedom of Information Act (FOIA) request from Mr. William Neuman, received on August 11, 1993, the United States Park Police located four documents containing information furnished by White House Staff. We request your review of the documents, making any deletions or recommendations regarding withholding a document in entirety. We ask that the documents be returned to us. Please cite the FOIA exemptions regarding deletions or withholding recommendations you have made. If there should be any other justification for withholding this information from public disclosure, please provide supporting documentation.

We have enclosed the following:

1. a copy of Mr. Neuman's FOIA request;
2. copies of the documents you provided us;

If you should have any questions concerning this referral, please contact Sergeant Albert Jez on 202-690-5103.

Sincerely,

Robert H. Hines

Robert H. Hines, Major
Commander, Office of Inspectional Services

Enclosures

WASHINGTON BUREAU
1112 NATIONAL PRESS BUILDING
WASHINGTON, D.C. 20045
(202) 393-1782



NEW YORK POST
13.25 PM '87 BY AIRMAIL/TELETYPE

DEBORAH ORIN
WASHINGTON BUREAU CHIEF

Major Robert Hines
U.S. Park Police
Fax: 205-7981

Dear Major Hines:

Please send to me, under the freedom of information act, the complete investigation report on the death of Vincent Foster, including the autopsy and toxicology reports.

sincerely,

William Neuman
New York Post

2000190

Re: 1/11

IAE

1/11
8/11

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FILE

Cliff Sloan
Room 128 OEOB

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

August 10, 1993

PRESS BRIEFING
BY
DIRECTOR OF COMMUNICATIONS MARK GEARAN

The Briefing Room

4:27 P.M. EDT

MR. GEARAN: Let me begin by apologizing for being late, and thank you all for coming. Sincerely, though, we're sorry we're getting delayed coming in here.

Q Why?

MR. GEARAN: We apologize for that.

Let me begin --

Q And it won't happen again?

MR. GEARAN: And it will not happen again. We promise you that. (Laughter.) A late lunch on my part delayed me.

Let me begin with a few remarks about Vince Foster's writing, which I assume is most of your interest here. Vince Foster was a very highly respected and certainly well-liked and able member of this administration. At this time, particularly, the thoughts of everyone in the White House are with his wife, with his children, and with his many friends here in Washington and in Arkansas.

The sentiments in the note are the comments of someone who was obviously troubled about matters he encountered at work. Certainly those who have known him here have gone back in their minds trying to remember conversations and discussions they have had with him, searching for clues to the question, why.

To my knowledge, and certainly even with the benefit of hindsight, his tragic death is very much a shock and a surprise to his colleagues and to people here. I don't think his colleagues here at the White House ever fully realized what Vince was going through during his time here.

As all of you know, the writing was found torn up in the bottom of his briefcase. It was unsigned. It was undated. We do not even know how seriously Mr. Foster may have taken the note. We don't even know when he wrote it, since it is undated. So as we go through this, let me be clear just from the start, I will not attempt to characterize what Mr. Foster might have meant by certain phrases or sentences. It would not only be inappropriate, but it is certainly beyond anyone's capacity to interpret many of the words that he wrote here.

Let me take any of your questions.

Q Mark, would you explain what he meant -- well, you can't explain what he meant -- can you tell us what information you have about the line that says, "The Usher's Office plotted to have excessive costs incurred taking advantage of Kaki and HRC." Give us any information on that and on what the costs have been for

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the redecoration to date, and whether it is believed that there are any cost overruns.

MR. GEARAN: Okay, let me --

Q Would you repeat her question please?

MR. GEARAN: Certainly. The questions involve the reference in the writing regarding the renovations in the White House and Kaki and HRC.

Let me just begin with what we think at this point. As I said at the beginning and I think I'll be compelled to repeat, in many of these instances we do not know what he meant. We really can't speculate, in certain sense, because we're not aware of what he may have been thinking at that time. We don't know when he wrote it so in a certain sense by definition, we are not able to speculate in a way with any more reason than many of you.

We do not believe there any plot in any way for any costs related to the renovation of the White House. I would observe to you that, as the Justice Department announced this afternoon, the Office Public Integrity at the Justice Department, which has reviewed it and Mr. Heymann said today, "While the inquiry into these assertions is not totally complete, I am told that based on its interviews today, nothing has led the Public Integrity Section to suspect any criminal conduct that would then have to be investigated. So we are not aware of any criminal conduct or --

Q Well, not criminal conduct, but can you tell us what it has cost and whether there has been a cost problem?

MR. GEARAN: I am not expert enough on the details of all of the renovation. I can tell you -- and I would direct you to Lisa Caputo and the First Lady's Office, who can go through the types of the numbers.

Q They say they don't have those numbers.

MR. GEARAN: We can work with that with the First Lady's Office in terms of the specifics of the renovation.

Q Can you get them to us today in time for our deadlines?

Q Yeah, in 20 minutes?

MR. GEARAN: In 20 minutes? I'm sorry, Bill.

Q Can you get them to us today in time for our deadlines?

MR. GEARAN: Why don't we work on that. Let me just --

Q We called on how -- and asked that office and they said that you were going to have that information at this briefing.

MR. GEARAN: The information of the -- let me tell you a bit about the renovation and help you out as much as I possibly can. The renovation here is conducted by, historically, through the White House Historical Society. That's the operational body that works with the renovation of the White House. There's -- again, I can't tell you all of the rooms that might be involved, but it involves some of the public rooms -- the Oval Office, the Treaty Room

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-- some of the residence rooms and a combination of that. I would have to --

Q Why don't you have somebody who can tell us?

MR. GEARAN: We certainly will.

Q Why are you out here if you don't know it?

MR. GEARAN: That's a fair question. I'm asking myself. (Laughter.) Among your many qualities, mind-reading is really one of them. (Laughter.)

Q What are the other ones?

MR. GEARAN: Her other qualities are too long to note. But let me go back -- I'm sorry.

Q Good lunch appetite.

MR. GEARAN: Lunch appetite, yes, late lunch. So we will have to work with you on the numbers. I am not expert enough on renovating. I'm trying to sell my house --

Q Why was he concerned about it? How did it come into his bailiwick at all?

MR. GEARAN: Well, as Deputy Counsel in the Counsel's Office, part of his responsibility and his job was the legal matters affecting the residence. And so in that context he was made aware of it. But I can tell you at this point, for your purposes, and we will work with you, but we do not believe any plot. The Public Integrity Unit that's been looking into it has indicated that they have no suspect of any criminal --

Q Did Mrs. Clinton ever say anything?

Q Was Mrs. Clinton being involved -- I mean, was she being accused of overspending or anything in that way?

MR. GEARAN: No, no. Mrs. Clinton as the First Lady is involved with the renovation, but no.

Q Well, why was the Public Integrity unit looking into it?

MR. GEARAN: That's what the Deputy Attorney General directed.

Q Could we have some more on camera here, Mark?

Q Excuse me?

MR. GEARAN: The Deputy Attorney General, as he announced today -- I think he provided this at his briefing. They

Q And it began when -- the Public Integrity Unit's investigation?

MR. GEARAN: I don't know. I'd have to direct you to Justice.

Q It began after this note was discovered?

MR. GEARAN: I would assume so. Let me read his --

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Q Before you go on, can this briefing be on camera?

MR. GEARAN: I think we should just continue the five-minute deal. Let me read you this. This is from Phil Heymann to the Acting Attorney General for the Criminal Division and the Counsel of the Office of Professional Responsibility.

"Attached is an unsigned, undated reproduction of notes, the originals of which the laboratory has determined were written by Vince Foster. I would like OPR -- which is Office of Professional Responsibility -- to review the assertion in the notes dealing with the FBI and to give me its recommendation as to what, if any, further inquiry is necessary and appropriate. I would like the criminal division to review the other assertions in its notes and to give me its recommendation as to what, if any, further inquiry is necessary and appropriate. Please contact me or David Margolis if you have any questions."

So I need to direct you to Justice for it --

Q In the 10 days since this note was discovered, who has seen the note? Has the President seen the note? Who else has handled it?

MR. GEARAN: Again, in terms of the handling, what was concluded today was that the White House handling of it was reasonable. They felt the time line was reasonable.

Q Who saw the note?

MR. GEARAN: The President did not see the note. He was apprised of the contents of the note.

Q When?

Q Mark, you're covering things that weren't covered at Justice from a White House perspective?

Q This briefing should be on camera.

MR. GEARAN: I don't care. My face is lovely on camera.

Q Can we get the lights?

MR. GEARAN: Sure.

Q Wait a second. Can you back up to my question please? Who saw the note and when was the President apprised of the contents of the note?

MR. GEARAN: Who saw --

Q Who in the White House handled this note -- kind of a chain of evidence kind of thing -- who at the White House handled the note?

MR. GEARAN: I will do the best I can, but I need to state at the beginning that in terms of the handling of the note, which had been an issue that the Justice Department reviewed -- just for everyone here, because if you weren't at Justice, the conclusion was it was reasonable.

Q The Park Police guy didn't say that at all. The Park Police Chief said that the White House should have turned that note over much sooner than it did.

MORE

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MR. GEARAN: I think he said, from what I understand is, that it was reasonable. But anyway, let me get to the point of your question.

The legal counsel -- associate and the legal counsel and the Chief of Staff and I'm not -- David Gergen, the counselor. I'm not familiar with anyone else who -- you mean who physically saw the note, was your question? I believe that's right. Let me take that and let me report back to you if there's any others.

Q But related to that question is the question of this information about the Usher's Office has been available inside the White House since that note was discovered and read by people on the staff here. Has Mrs. Clinton been asked anything about the contents of that note? About her suspicions about something going on? Has the interior decorator been asked anything about it? What -- has anybody tried to come to a conclusion on what it was that persuaded Vince Foster that there was something going on that could be a problem?

MR. GEARAN: We don't know is the answer --

Q Nobody?

MR. GEARAN: -- to what he might have been thinking or speculating at this point. I can tell you, as Heymann mentioned, that the Office of Public Integrity, while it's not complete, has made a preliminary inquiry. And that was the quote that I --

Q Mrs. Clinton hasn't been asked about this note?

MR. GEARAN: Not to my knowledge, but you might want to --

Q Is it the assumption then --

MR. GEARAN: You should talk to the Justice Department. They're the ones --

Q Is it the assumption then that Vince Foster was making this up? This was out of whole cloth?

MR. GEARAN: I have no ability to answer that question. We do not believe that there is any, as he says, plot. We note that the Public Integrity Unit has looked into it. Beyond that, I'm unable to speculate what he might have meant.

Q Was anyone else in his office working on this issue with him? Any other members of the Counsel's Office working on a possible cost problem involving the renovations?

MR. GEARAN: No.

Q Have they been asked?

MR. GEARAN: Well, it has been reviewed since then, and his files have been turned over, but I'm not aware of anyone else in --

Q What was found when it was reviewed since then? And did you ask the Usher's Office?

MR. GEARAN: We did not. The Justice Department did, to the best of my knowledge. I can detail more from the briefing that might have come up today at Justice who they might have talked to. I'm not aware of who specifically in the White House they spoke to. You need to check in with Justice on that.

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Q Mark, do you or does anybody in the White House believe that the press has received illegal benefits? Can you set that accusation in his letter to rest?

MR. GEARAN: I have no reason to believe that that is the case. I don't know. My sense is that we're not aware of any facts to support that statement. There have been articles published. That might have been where he was -- what he was referring to, but we have no basis in fact.

Q Do you think that anybody is paying too much for renovation, that is a reason for somebody else to suicide themselves?

MR. GEARAN: I can't make any judgment of the reasons or speculate on the reasons for suicide.

Q Is that considered the suicide note as such?

MR. GEARAN: I'm sorry.

Q Is it viewed as a suicide note?

MR. GEARAN: I think it is viewed as a note of a writing who was troubled by matters at work. That, indeed, it's a sad commentary in many ways on life in Washington and it's, frankly, given many of us pause for thought, particularly the reference that Vince makes at the close of his writing.

Q Mark, do you agree with his characterization?

MR. GEARAN: Assessment? I think -- I believe that the note is, as I said, a sad commentary on life in Washington. I think it's someone who had perhaps a loss of perspective here. But we really can't know many of the reasons here. Suicide is a painful and an irrational act. And there's always an element that we will never know -- many of us.

Q Do you have any idea what the reference to Republicans covering up a prior investigation is in reference to?

MR. GEARAN: We're not aware of any facts to substantiate what he might have meant. Again, it's hard for us to truly say what he may have been referring to. He may have believed that there problems in the travel office that predated our administration. Those have been noted from time to time in the press -- I don't know that. I can't tell you that with certainty. But we are certainly not aware of any misrepresentation or cover-up or anything that's suggested.

Q Mark, do you think you can shed some light on when you said the FBI lied in their report to the AG? Do you know what things they lied about? And also, what is the prior investigation that he's referring to that the GOP covered up?

MR. GEARAN: Well, I don't know. The FBI and the report, we have no reason to believe that the FBI lied. I can't speculate as to what he might have been referring to with any certainty, obviously. But I would refer you to -- in the travel management office review, there was a reference to differing recollections of conversations or events, and in the instance of the travel office, management review referred to the different recollections of a conversation between the FBI agents and Bill Kennedy. That might have been the reference there.

MORE

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Q So what about the prior investigations that the GOP has lied and misrepresented its knowledge role and covered up a prior investigation of the travel office?

MR. GEARAN: What I said earlier was, again, we don't really know, but prior instances of problems in the travel office predating our administration have been noted or observed. Whether or not that was the case, we don't know.

Q Since Vince Foster's suicide there have been discussions in the White House amongst people talking about why he might have done it, and from that has come out a fully portrait of people having talked to him before his death and there were some signs that he was troubled. In any time in that process of reflecting on those conversations has anyone come across recollections of conversations on the topic the Usher, the FBI, the charge about the Republicans that he talked about -- not that you don't think that there are any charges are true -- but does anyone know of any time that he talked about any of those topics?

MR. GEARAN: Well, the topics of the travel office and others have been ones that have been well discussed within the White House. No one ever thought here, that any of the references here -- I mean, it should go without saying, but by definition, was to a point -- as I said at the beginning we were not aware clearly of the depth of his feelings by definition. People would have done something here otherwise.

Q There was no discussion, no one had discussions with him about any of these more specific types of topics than just the travel office?

MR. GEARAN: I think in the list of things -- I mean, we're not aware of -- we were not aware that the kind of references that he observed were ones that would have prompted any kind of action that he eventually took.

Q May I just follow up on a question about the Usher's Office? May I take it that some other official in the Counsel's Office now has whatever portfolio or case or whatever you care to call it that he would have had that would have brought these matters to his attention? And may I take it further that someone is following up on this matter, this seeming allegation of excessive costs -- to find out what this was about and to determine what it is?

MR. GEARAN: Yes.

Q So the White House is on the case, so to speak?

MR. GEARAN: Yes. Let me be clear.

Q What did he say, sir?

Q Who would that be?

MR. GEARAN: I'm sorry -- keep going.

Q Can you just tell me who would that be that's following this up?

MR. GEARAN: Bernie Nussbaum is assigning the different pieces of work within the Counsel's Office that Vince had been charged with to the other counsels in the office. I don't know who specifically has his portfolio. We can get you that.

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Q Well, since this has tumbled into the public here, can you assure us that what findings you will have on this apparent allegation and this matter will be made public?

MR. GEARAN: Well --

Q Will you kindly tell us what you just asked?

MR. GEARAN: Certainly. The question was whether the findings that we have from -- let me restate your question right, Brit -- but the findings that we determine in relations to the Usher's Office, will that be made public?

Q With regard to the issues raised by this question.

MR. GEARAN: Okay. Let me say two things in that regard. First of all, as we've said, we do not believe that there is this plot that exists. Secondly, the Office of Public Integrity has been asked by -- as I read -- the Deputy Attorney General to look into this and they have determined in a preliminary way in this instance that nothing they have reviewed thus far has led to any criminal conduct in any way.

Q Sir --

Q Go ahead, Mark. Wait a minute. Let him finish what he was saying.

MR. GEARAN: They may be helping me out. This may be in your interest. I'll be right back. Hang in there.

* * * *

Q Round two.

MR. GEARAN: You're all still here. Let me tell you just how we have observed the time in, rather than delaying you, going to the First Lady's Office and to try to assist you as completely as we can. I'm suddenly now a genius on the renovation. As best as I can give you rather than delaying you any more than what we already have, and let me just say at the beginning, for a lot of the real detail on the renovation, you really do need to visit with the First Lady's Office. But let me help you as best I can.

The issue that we believe is that -- as we talked about previously -- from the plot to -- all of that stuff that we've already discussed. But it is very difficult for us to speculate just what he may have meant in this regard. One of the things that we can suggest to you is a difference in the estimates that have gone on in the Usher's Office regarding the renovation from the Usher's Office and the decorator, who is Kaki, mentioned in the writing. Kaki Hockersmith is the decorator -- interior designer who assisted in planning the renovations at the White House.

Q What were the renovations?

MR. GEARAN: Okay, let me get into this. Anyway, so in terms of what this might have meant was there was a difference in the estimates at the -- from the Usher's Office to the decorator's office and that change is one that Vince was apparently concerned about at a certain point of time.

Q What were the renovations?

MORE

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MR. GEARAN: Let me get into this. There were two estimates that differed. Let me just get into this and then we can go through.

He was concerned about the discrepancy in costs and asked the Usher's Office -- he, Vince, asked the Usher's Office to provide an explanation for the change in estimates. We can only assume that Mr. Foster was unclear about the costs because we do not believe that he had actually reviewed the receipts relating to the renovation that included labor and upholstery and the charges that were incurred, and is continuing. The renovation is not complete.

What happened here -- let me go through this -- what happened here, as we understand it, is a miscommunication between the decorator and the Usher's Office. For example, the Usher's Office was not aware of the certain time deadlines that the decorator was going to impose on the work being done. Similarly, the decorator didn't understand what the imposed deadlines would mean for overtime labor. Therefore, there was a difference in the estimates that were given from within a few month period. That might have accounted --

Q Difference in estimates or difference in estimates and costs incurred?

MR. GEARAN: Estimates at this point. The renovation is continuing. And at the end of the entire renovation, the plan, apparently, of every renovation -- what they usually do, I am told, is to provide a report on what was done, how it was completed. This --

Q How big was the --

MR. GEARAN: Okay, let me go through. The first estimate that was given in March was for \$250,000.

Q Whose was that?

MR. GEARAN: That was the arrangement between the decorator and the Usher's Office.

Q Whose estimate?

MR. GEARAN: That's what they agreed to at that time. That's what they agreed to at that time.

Q What was this for? You haven't told --

MR. GEARAN: The second was --

Q Why don't you tell us what the renovations were for?

Q Sarah.

MR. GEARAN: The second, which was approximately \$275,000 was given in early June.

Q These were both given by the decorator to the usher?

MR. GEARAN: No, these were the estimates that -- the initial one that the usher and the decorator worked out. What we had -- what resulted was apparently a miscommunication as to what that estimate involved. When the price --

Q What is his name?

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MR. GEARAN: The usher's name is Gary Walters. What resulted in the intervening, I guess it is two months, three months, was the increase in the cost. That's what Vince was concerned about.

After discussions between Vince and the Usher's Office, most of these were resolved. In a comparison of the receipts and the charges incurred that has been reviewed by the Counsel's Office that has been -- seemingly, there's no issue that we need to be concerned about.

Q So the first estimate came from -- was what they agreed upon --

MR. GEARAN: They worked it out.

Q The second one was when the decorator came back and said it's going to cost this much more because of increased labor costs and OT caused by the deadline? And that's where the dispute --

Q The decorator or the Usher's Office --

Q Who came back with the --

MR. GEARAN: Well, see, I don't know if anyone came back. I think that --

Q Whose was the \$377,000?

MR. GEARAN: That was the new estimate based on the charges coming in -- due to this miscommunication.

Q From the decorator?

MR. GEARAN: Well, the decorator, the overtime, the different things that go into this.

Q So the \$377,000 is not an estimate. It's real costs?

MR. GEARAN: No, it's an estimate. It's an estimate.

Q What are we talking about --

Q It's a revised estimate.

MR. GEARAN: It's a revised estimate. For those of you -- there you go. Brit's apparently built a house, he knows about revised estimates.

Q Why don't you tell us what the renovations were?

MR. GEARAN: Let me tell you as best I can about what the renovations were. And for some of this, you really do need to speak with Lisa. What I've tried to do is give you enough as the time is approaching. The renovations include both the public space, renovations to parts of the Executive Office Building, Room in the Residence, and some of the public and private space in the Executive Residence.

Q Is this private donations? Who's paying for it?

MR. GEARAN: Private donations.

Q Who is paying for this? Private or taxpayers?

MR. GEARAN: Private donations.

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Q Mark, what is -- two questions. Could you move Sarah up front so she can hear things? Second of all, what exactly does the usher do? (Laughter.)

MR. GEARAN: Which one of you wants to leave?
(Laughter.)

Q It just seems like it would make it easier for her and everybody.

MR. GEARAN: Okay. What's the second question?

Q What does the usher -- I'm not clear how the usher fits in. Explain who does what? I mean, who oversees the decorator?

MR. GEARAN: Yes. The Usher's Office manages the Executive Residence staff, whose responsibilities include the care and maintenance of the historic Executive Residence, its furnishings and preparations for official and ceremonial presidential events and the operation of the First Family's household. There's a Chief Usher and then four assistant ushers.

Q Does the decorator work for the usher by contract -- in other words, he is getting 20 percent of whatever the cost of this is?

MR. GEARAN: I need to send you to Lisa on that.

Q In other words, the decorator works for the usher?

MR. GEARAN: The decorator works for the First Family. But the Usher's Office coordinates the Executive Residence.

Q Can I just clarify one thing -- why would Vince Foster be at all interested in what the ushers and the decorators and this whole project -- how does he fit in?

MR. GEARAN: Well, as Deputy Counsel, one of his jobs was to work on any legal issues or to -- on the residence issues in the White House.

Q But isn't that a little junior for the Deputy Counsel to be getting involved in those kinds of minor matters?

MR. GEARAN: I don't think so.

Q Other than a misunderstanding, was there a real fight between them?

MR. GEARAN: No, I think it was a miscommunication, is how I can best interpret it.

Q Between who?

MR. GEARAN: Between the Usher's Office and the decorator.

Q Mark, the note seems to exhibit something more than just discouragement or depression about the way things are going. There's hints of conspiracies and cover-ups. I mean, more than hints. Has there ever been any indication from the people who've known him for years, including the Clintons, that he ever exhibited this tendency or this concern about broader plots being waged against the President? Was it right in that case to put him in a position of this kind of responsibility?

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MR. GEARAN: John, I can't tell . . . I'm not qualified to make some judgments on his state . . . and. I can tell you that the view here is that it's a sad document and someone who was clearly troubled about his work. Beyond that, I am not --

Q But is it the conclusion of the Clintons or those who knew him best, including Mr. McLarty, that his six months in Washington really pushed him to the edge? Or was there any sort of trail before that of disturbed thinking?

MR. GEARAN: I think people here at the White House remain shocked and surprised. I think if people had realized the depth of his feelings there would have been a different action precipitated.

Q Who is Kaki and how is it that she got the job of doing the decoration and so forth?

MR. GEARAN: You're going to have to check in with Lisa on some of this stuff. Let me tell you who she is.

Q Was there competitive bidding, for example, or was she brought in because she's a friend of Hillary's or who is she?

MR. GEARAN: She's a Little Rock interior designer. And beyond that, what previous works, what her clients are, I think I need to send you to Lisa.

Q She's presumably, a friend of Hillary Clinton's. She's from Little Rock -- is that a presumption, or what's --

MR. GEARAN: I assume they're -- traditionally, the First Family selects an interior designer. I don't know what's --

Q Were the renovations approved by the White House's Historical Commission?

MR. GEARAN: I believe that's right. I don't know what "approved" means, but the White House Historical Society --

Q Changing the Treaty Room, now that's a very historical room.

MR. GEARAN: You bet.

Q -- and the Oval Office and things like that are certainly -- we ought to have from you some proof that the White House Historical Commission, which approves everything that changed --

MR. GEARAN: I think on some of the specific on the renovation -- the best I can do is to how they did it to send you to Lisa. What meetings were held, how that was done, I'm not --

Q Mark. Has the Justice Department notified anybody in the Counsel's Office or throughout the White House staff that White House officials were under possible ethics violations -- investigation for possible ethics violations in conjunction with the handling of the travel office seven?

MR. GEARAN: I don't know the answer to -- let me take the question. I mean, I don't know if the Counsel's Office was notified -- I don't know the answer to that.

Q Lawyers to the travel office seven have urged the Justice Department Public Integrity section to expand the

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investigation beyond the seven to look at possible ethics violations by the officials involved in the firings.

MR. GEARAN: I don't know the answer.

Q You don't know whether he received a call from Justice saying we may look into that?

MR. GEARAN: I don't know. I can post an answer. Let me take a few more.

Q Given Vice Foster's involvement in this and in the FACA case, was there any way in which he -- it's fair to characterize his role in the Counsel's Office as having responsibility for those issues pertaining to the First Lady? Did that tend to be in his portfolio?

MR. GEARAN: He had a broad portfolio. As Bernie Nussbaum said, when they approached their job, that they were partners in the Counsel's Office, building a law firm. And they approached it like that -- bringing in the Associate counsels. I think we can say quite a bit about Vince's work in the Counsel's Office and that as a extremely able lawyer.

Q Just to follow up. Partners in law firms have different responsibilities. Did the First Lady's work and legal needs tend to fall on his desk rather than that of other attorneys?

MR. GEARAN: I'm not aware, aside from the renovation and the task force any other instances. But certainly those two were. He assisted in the Supreme Court nomination, as you know, directly for the President. Someone that the President sought for his own advice. I would not narrow it to that, but it included those two instances.

Let me just take a couple more questions.

Q Mark, did anybody besides Vince Foster raise any questions about these estimates into the redecoration of the White House? And is there an ongoing investigation into any of these allegations in this letter, whether it be the cost estimates, the FBI lies to the AG, the press covering up illegal benefits, or is there an ongoing investigation into any of these issues?

MR. GEARAN: I would have to refer you to Justice for the status of those investigations. Heymann, in the letter I mentioned, this morning directed Professional Responsibility and Public Integrity to do that. And the investigation --

Q And did anybody else raise any questions about the cost estimates? Anyone besides Vince Foster?

MR. GEARAN: Not that I'm aware of.

Q What was Bernie Nussbaum's response to these statements and allegations in this letter? Is he as baffled by them as you appear to be?

MR. GEARAN: I think Bernie would share in our assessment that it's, most of all, a sad commentary on Washington.

One more question.

Q Do you have any comment about the line in here about the Wall Street Journal? Is there any degree to which the Journal is being blamed?

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MR. GEARAN: No, we let it stand as is. We're not aware of --

Q Why do you think it's a sad commentary on Washington?

Q You said earlier that -- are we to believe from the sum total of your statements today that the White House Counsel's Office could be involved in something as trivial as the new curtains in the residence area, but that there was never any conversation in the last 10 days that you folks have had access to this note with Mrs. Clinton about any of this or anybody in the White House?

MR. GEARAN: Let me not mislead you and let me correct this. What I would like to have said was that Vince's role -- and including the Health Care Task Force was one of the things he worked on -- many issues of nominations including the Supreme Court nominee, and in this instance, some matters relating to legal work concerning the Executive Residence. He was not involved in the renovation, but when the instance of this apparent miscommunication came before him, he felt it is, apparently, role to look into it. That's what I meant to suggest.

Q -- the White House Counsel's Office have that much input into the workings of the First Lady's -- a broad range of the First Lady's other activities, there has been no attempt by anybody in the White House Counsel's Office to talk to Mrs. Clinton about the contents of this note?

MR. GEARAN: I'm not aware that anyone from the White House Counsel's Office has done that. I can check that for you, Gwen. Certainly her staff -- we have discussed it with the staff. No one is aware of any plot about the excessive charges. People are aware of this issue, of the miscommunication.

Q Do you find it inconceivable that Mrs. Clinton would not have been apprised of the contents of this note?

MR. GEARAN: Let me --

Q Why do you think this is a sad commentary --

MR. GEARAN: We'll have to take the question. I don't know.

Q -- on Washington? I mean, it's a sad commentary, it seems to me, on the White House.

MR. GEARAN: Well, I think everyone can make their own judgments. That's my view. I guess it was an answer to the last question -- to the last reference in Vince's letter that I think was most powerful to people here.

Let me end there so you can all --

Q Since Mr. Nussbaum and Mr. GEARAN worked together as partners, so Mr. Nussbaum should have known the cases he was on. How is it that the one is so troubled that he's taking his own life and the other one not at all?

MR. GEARAN: Well, I think suicide is always -- in some ways has an element of mystery. It's an irrational act. And I am not personally able to detail to you any set of objective reasons for what is inherently an irrational act.

Thank you.

END

5:09 P.M. EDT
#107-0810

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FILED
 TOLSON
 DELOACH
 MOHR
 BAKER
 BYRON
 GALT
 ROSEN
 SULLIVAN
 TAYLOR
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Civil Sloan
 Room 128 OE08

THE WHITE HOUSE
 Office of the Press Secretary

Release

August 11, 1993

BRIEFING BY
 DIRECTOR OF COMMUNICATIONS MARK GEARAN

The Briefing Room

3:05 P.M. EDT

Q Well?

MR. GEARAN: Thank you for bearing with us.

Q We don't have a choice. (Laughter.)

MR. GEARAN: That's been made quite clear.

Q It's our pleasure, Mark. (Laughter.)

Q It is not.

MR. GEARAN: Anything else?

Q Where is Dee Dee? (Laughter.)

Q We want Dee Dee.

Q And we have a follow-up.

MR. GEARAN: There's been a coup. No, we delayed the briefing so we could provide the maximum amount of information for you on our schedule as events role up.

Q Can we do questions before we do schedule? Since we only have five minutes.

Q Start the five minutes after the schedule, if you could do that. Do the schedule and then begin the five minutes after.

MR. GEARAN: This is like a game show. What do we do -- five minutes after the what?

Q After the schedule. Start the five minutes after the schedule.

Q When you say "the clock is ticking, dude" --

MR. GEARAN: I would never say such a -- (laughter.)

Q Dee Dee would say that.

MR. GEARAN: Dee Dee -- that's very California, that's right. (Laughter.) I would say, sir, the -- all right. I will go through just the schedule and then I'd like to go a little bit more on Thursday and Friday. But let me jump to Friday and we'll get back after the clock is ticking, dude, to -- (laughter) -- to tomorrow.

Q Can we start with tomorrow morning, like time we're leaving?

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MR. GEARAN: What do you want? Do you want Friday? The clock's ticking. I'm thoroughly confused. Okay, Friday, let's start with Friday and we'll go back and the clock's ticking.

Q Whatever.

Q You're working backwards if you start on Friday.

MR. GEARAN: On Friday -- Thursday night will be overnight in Oakland, California. Friday he'll be in California at Alameda Air Station, returning to Denver on Friday, later afternoon, where there will be a bill signing for the wilderness bill and then a fundraiser at the airport -- all of this is at the airport -- for Governor Romer.

The President will then leave for Vail, Colorado, where he will remain Saturday and Sunday. Midday Sunday, the 15th -- we're now on -- he will go to Fayetteville, Arkansas, where he will remain overnight on Sunday.

Early Monday, on the 16th of August, he will fly to Tulsa, Oklahoma, where he will attend a meeting of the Democratic Governors Association, attend the -- he will also attend the National Governors Association. There are two meetings. Some things I really know; this is one. (Laughter.) Don't even try on this one. My name and this I know. (Laughter.)

Q So he'll go to two --

MR. GEARAN: That's correct, Helen.

Q Do you know what time he speaks?

MR. GEARAN: The Democratic Governors Association is a breakfast meeting. It's a very distinguished group that has had fine executive directors in the past. (Laughter.)

He will then go to the National Governors Association, where he will attend the plenary session. Then they have a governors only luncheon at the National Governors Association in Tulsa and then back to Fayetteville.

Q Do you know what time he speaks at the plenary?

MR. GEARAN: We can get you that. I believe it's around 11:00 a.m., but we'll have to get you that.

Tuesday he's in Fayetteville.

Q And the luncheon is closed?

MR. GEARAN: The luncheon is closed. The governors only luncheon.

Q Is the breakfast open?

MR. GEARAN: The breakfast is closed.

Q Does he go back to Fayetteville Monday night?

Q -- home from Fayetteville Sunday?

MR. GEARAN: I'm sorry, Ruth. What?

Q Does he go back to Fayetteville Monday night?

MR. GEARAN: That's correct.

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Q I take it you guys couldn't get hotel rooms in Tulsa Monday. I'm on vacation, so I don't care -- on Sunday night?

MR. GEARAN: So you're just asking questions you don't care about? (Laughter.)

Q He wants to keep us --

MR. GEARAN: Does this count on the time? I don't know the reason, but who cares, because we're going back to Fayetteville on Monday.

Tuesday in Fayetteville -- and we'll be in Fayetteville whether you're on vacation, Adam, or not.

Q That's where I'm taking my vacation. (Laughter.)

Q Doesn't everybody?

MR. GEARAN: Wednesday: Wednesday the President will return to Washington, D.C. --

Q No!

Q Yeah!

MR. GEARAN: -- where he will be for the afternoon, remain overnight here in Washington, and then on Thursday depart for the vacation. And we will have more on that specifically -- (laughter) -- later.

Q We tease you.

MR. GEARAN: No. No, no, no. And returning Sunday the 29th.

Q Does he know where he's vacationing?

MR. GEARAN: Okay. Can we start now?

Q Do you have any times on --

MR. GEARAN: No, I'm not good on times. We should get stuff from --

Q What time are we leaving in the morning?

MR. GEARAN: We'll get all that.

Q Is he going to Martha's Vineyard?

MR. GEARAN: I would tell you for guidance, we have advance people presently looking at Martha's Vineyard.

Q And he's gone then from what day to the 29th?

MR. GEARAN: To the 29th. Thursday -- that would be the -- 17th, 18th, -- 19th.

Q Is it your plan if he goes there to provide accommodations and transportation for the press?

MR. GEARAN: We'll have -- we have advance teams there now. We'll have to get back to you.

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Q In this time of difficult budgets, how are you going to come up with the billions of dollars for police and other things that are in the --

MR. GEARAN: Let me start with some other parts of the briefing before we get started to that. So now let's start our regular briefing today.

I want to go a bit through Thursday and Friday and some thoughts that we have of what we're about to do Thursday and Friday and Saturday.

Q This doesn't count on the five minutes, does it?

MR. GEARAN: Yes, it does. This is the beginning of the briefing.

Thursday, he's going to be going out to St. Louis to participate in a tribute to community heroes from nine flood-affected states and to sign the flood relief legislation. The President will meet with the community heroes and then present them with commendations. These are individuals coming from the states of North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Wisconsin and Illinois, accompanied by their families and friends and various representatives of state governments. Also attending will be members of the Cabinet, members of Congress and various state officials.

Q Bipartisan?

MR. GEARAN: We'll have to provide the list. That's certainly who's been invited. I assume of the governors, particularly, it's been --

Q Republicans have been invited?

MR. GEARAN: Absolutely. Particularly the governors that have been here in the past and the President has met with before is a bipartisan group.

Q How many community heroes are there?

Q Nine.

Q One each from each state, is that what you're saying?

MR. GEARAN: Correct, yes.

Q What time does he leave tomorrow?

MR. GEARAN: The Pope --

Q Where will he do that, Mark?

MR. GEARAN: We'll provide the schedule for the -- you mean the individual site?

Q Yes.

MR. GEARAN: I'll have to get you that.

Q Time, approximate?

MR. GEARAN: At 8:30 a.m.

Q In the morning?

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Q The President departs the White House at 8:30 a.m.?

MR. GEARAN: No, 8:30 a.m. is the -- the event begins tomorrow. It's open press, 8:30 a.m.

Q Can you tell us about the Pope with the cameras running?

Q Where is this?

MR. GEARAN: This is in St. Louis. Tomorrow.

Q But, I mean, what time does he leave Washington?

MR. GEARAN: We'll have to get you the complete schedule this afternoon. Let me go through the Pope. Let's save the questions because --

Q That's 8:30 a.m. in St. Louis?

MR. GEARAN: That's correct.

Q Central time?

MR. GEARAN: That's correct. Sorry about that.

Q Who?

MR. GEARAN: The Pope.

Q So that means the President's got to leave about 7:00 a.m., doesn't it?

Q At least.

MR. GEARAN: Whatever. We'll get you details. Let me talk a bit about the Pope and the President's trip.

The Holy Father will be arriving from Mexico into Denver at 2:30 p.m. The President will precede him, arriving from St. Louis by approximately a half an hour. There is scheduled to be five minutes of welcoming remarks, five to ten minutes, by the President; then remarks by the Holy Father.

There are 1,000 guests at Stapleton Airport, where this will be. Of course, all of you are familiar that the Pope is here for World Youth Day. They will then, at the conclusion of their remarks, board separate helicopters to go to Regis University, where they will have a private meeting, together, the Holy Father and the President, and then be joined, after a certain portion of the meeting, by Ambassador Flynn and a member of the National Security staff and representatives from the Holy See.

There are brief departing comments before they each board respective helicopters. The Pope departs to go to Mile High Stadium, where he will be celebrating Mass at the Mile High Stadium, and the President goes off to California at that point.

Let me say just preliminarily, the President is very much looking forward to his meeting with the Holy Father. This is, of course, the first American President to graduate from a Catholic college or university and he is well aware of the contributions that the Church has made, particularly on issues of the social mission of the Church, and he's anxious to visit with the Holy Father in that regard.

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He comes to Denver from St. Louis, where there's certainly no better example of some of the neighbor-helping-neighbor efforts that are ongoing with the flood relief.

Friday we've gone through and the balance of the schedule.

Q Does he feel like he has to defend some of his actions in Somalia? The Pope's been critical of U.S. actions and has been critical of some of the President's positions on family planning, et cetera. Is he going to go in there and try to defend his actions, or how does he approach that?

MR. GEARAN: No. The President is very anxious to visit with him. As you'll recall during the campaign last year, the President when he spoke at Notre Dame outlined a great deal of his thoughts in this regard, particularly in terms of the social mission of the Church from its campaign for human development, the mission of Catholic Charities, the social mission of the Church and its work in hospitals and schools and educating the young and caring for the sick as the social mission of the Church is something the President has a great deal of respect for and is anxious to visit with him on these issues and others that may come up.

Q What about the political comments that the Pope has made? The political side -- opposition to Somalia, et cetera. Is he going to try to convince him otherwise?

MR. GEARAN: I'm sure these topics may come up in terms of international affairs. I think this is an exchange between two leaders on topics of shared interest.

Q So you expect them to discuss issues on which they would naturally have a parting or different -- parting of ways or different views on domestic issues like abortion would you expect?

MR. GEARAN: I would not suspect that. The anticipation is it would deal largely with foreign policy issues.

Q They won't talk about abortion?

MR. GEARAN: That's not my expectation, no.

Q Mark, was there any consideration that the President stay and go to the Mass at Mile High Stadium?

MR. GEARAN: No. His schedule has been predetermined. His interest at this point is to meet with him, go through the issues of concern, to welcome him to the United States, and then to visit with him privately. That's his schedule.

Q We have not been able to ask one story --

MR. GEARAN: There's been several questions. Who's next?

Q Only about tomorrow's news, not --

MR. GEARAN: You want to talk about -- more questions?

Q In this joint statement, is there going to be some sort of -- anything else that they will release jointly outside of their verbal remarks?

MR. GEARAN: No.

Q What's doing in California that he has to leave Denver so quickly?

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MR. GEARAN: I'm sorry?

Q What does Clinton have going to California that he has to leave -- what's he doing in California?

MR. GEARAN: We're doing defense conversion, Alameda Air Station.

Q Friday. Not Thursday, Friday.

MR. GEARAN: On Friday. Friday -- that's correct.

Q What is the perceived role within the Clinton administration of the papacy in the modern world in terms of the constructive role the papacy can play both on a domestic and on foreign policy scale?

MR. GEARAN: That's what I was referring to in terms of the social mission as well as a lot of the humanitarian effort that the Church has been involved in. The President, when he nominated Mayor Flynn as Ambassador to the Vatican, spoke about that and the important role that the Church has played in humanitarian efforts. His interest, of course, is to have Ambassador Flynn, who will be in Denver for the arrival of the Pope, a part of that effort.

Q Will Mrs. Clinton be joining him at the airport?

MR. GEARAN: Yes.

Q Chelsea?

MR. GEARAN: Yes.

Q Is the President taking all of the Catholic staff members with him? This is usually the case.

MR. GEARAN: I think many members of the staff that usually travel with the President are coincidentally Catholic, as it turns out. There are many members of the staff that are honored to have been invited by the President to join him for it.

Q Will there be an exchange of gifts?

MR. GEARAN: So the answer is, yes -- Marcia Hale may be joining him; Dee Dee Myers; other members of the President's staff that are Catholic.

Q The President is Southern Baptist?

MR. GEARAN: The President is Baptist, yes.

Q Will there be an exchange of gifts?

MR. GEARAN: Typically there is. -- I assume there is. I can post an answer to that. I believe there is. I don't know what it is. There definitely is. I don't know what the gift is.

Q I know on a state visit there is, but on something like this, is there?

MR. GEARAN: Yes, there is an exchange.

Q Do you have something going for the President today -- a staff salute?

MR. GEARAN: Yes, but that's to be determined.

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Q Do you think the American people would think it was weird that the President is getting on his airplane and doesn't really even know where he's going, where he's going to end up for vacation? Do you think that my readers would think that's strange?

MR. GEARAN: No. I would like to think your readers would appreciate the complexities of planning a visit of the President to a vacation area in August.

Q But, Mark, there hasn't been any real planning in this. I mean, this has been being discussed for three or four weeks and your five days, six days away from the vacation and you have no idea where you're going.

MR. GEARAN: No, no.

Q No matter where you go, you're going to have to find a hundred or so rooms for staff and security. You're going to force those people out of their hotel rooms. For them it's going to be a concern.

MR. GEARAN: Well, what I would like to think that people would take away from this is that -- as we have advance people on the ground presently looking at a site, that we've tried to give you the best guidance for the time line that we can at this point. Complexities of a trip like this are, I think, somewhat obvious. I would suspect within the next 24 hours, as our advance people complete their work, that can be confirmed for you.

Q Mark, are you thinking about -- is the President thinking about staying at Jackie Onassis's estate there -- is that true?

MR. GEARAN: Not to my knowledge, no.

Q Mark, is the White House satisfied now that all the questions regarding Vince Foster's suicide have been answered?

MR. GEARAN: Well, the position of the White House, I think, has been, as we've said over the past few days in light of the writing that was released yesterday, is that there are many issues of which he spoke that we talked about yesterday that we don't have a clear sense just exactly what Vince may or may not have meant by that. Some of the issues in terms of the cause of death, some of the preliminary inquiries that were held by Justice have reported. There's other issues tangentially related in terms of the travel office and whatever that is an ongoing inquiry. Until that's -- that's a judgment for them to make, not certainly the White House at this point.

I think what we have tried to say from this podium and elsewhere is the culture of the White House or the reaction of the White House in the past few weeks has been that people were truly shocked and surprised both at the time and continue to be.

Q But the President -- the President said immediately after this happened that he was satisfied that based on what he knew initially that this was one of those mysteries that would never be solved. Did this note raise any more questions for him and lead him to believe that there are any unanswered questions remaining?

MR. GEARAN: No, I think the note stands for what it is, as we talked yesterday, is more than anything a sad document of a reflection of life in Washington.

Q But the President's feeling about this is a mystery?

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MR. GEARAN: I think the President's feeling is, as he has stated in the past. I would say I think people here believe that a suicide is, by definition, an irrational act and that Vince was troubled over matters regarding work. The note is evidence to that. And in a certain sense, one will never completely know, as in any suicide, the full range of it.

Q Would it be fair to say that the White House regards some of the factual matters that were mentioned or raised as more a reflection of his state of mind than of any new facts that were revealed?

MR. GEARAN: What we tried to say completely and straightforwardly yesterday as best we can is we don't really know in a -- exactly what he may or may not have meant. We can make some judgments, as we've tried to do yesterday. Trying to speculate to an extreme is inappropriate and probably not appropriate guidance for any of you. I am neither trained to make some of the judgments that I think some of the questions might want us to conclude on. I just don't think it's an appropriate, nor do I feel particularly qualified to do so.

Q The day after Vince's suicide, the President came out and we asked him if he thought that the work, the pile-on and so forth was the cause, because that was the speculation, that he was fatigued -- and he said, no. After he saw the letter, or whatever it was, did he revise his view? Because the man himself says that he was overworked, inexperienced.

MR. GEARAN: Well, I think the President remarked certainly at the staff meeting that we had a couple days, I guess, after Vince's death, is the need for balance in one's life here. He said that before anyone was -- in the early days right after Vince's death, I think. As I said yesterday, the note gives one even more pause for that -- to seek and strike that balance. When he talked about overwork and those kinds of issues, I think that's just --

Q Did the White House have advance notice of Justice's release of their --

Q Mark, have you noticed any decrease in the amount of hours worked by --

MR. GEARAN: I'm sorry. I'll be right back to you. What?

Q Have you noticed any effect of that presidential suggestion -- talk about balance in life -- have you noticed people cutting back their hours -- more private? Or is everybody doing just the same six day, 14-hour days grind that they were doing before?

MR. GEARAN: I think everyone in the White House feels that it's a tremendous honor to be here and privileged to be here, and many of us feel that it's a once in a lifetime opportunity to serve the President. I think what it becomes a question of is to balance that with one's family and friends and personal life. -- everyone needs to make their own judgment individually. I think a lot of people have tried to calibrate that appropriately. I can't speak for everyone in the White House, but I think at times like this -- and everyone has had a personal experience where you're reminded of the fragility of life -- I think people are mindful of that.

Q For a lot of people, I would assume, there's not a great deal that they can do about their hours and that sort of thing. Are superiors and supervisors putting themselves in the frame of making sure that people are able to get that balance?

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MR. GEARAN: Yes. And I think people are working to -- certainly Mack has emphasized it at the senior staff meeting, that period that's upcoming, the balance of August, that people should try to schedule time and staff out offices, where he's coordinating a schedule to make sure that we're appropriately staffed, but that people are encouraged to take that time. So in that -- I don't know if I'm answering your question directly. But I think people are trying to allot that time. This past period we've been through, the reconciliation has been, we hope, atypical in terms of time lines.

Q Did you guys have advance notice of the Justice Department's release of their investigation and the release of this letter? If so, did you coordinate it at all? And why did you seem so surprised and, if I may say, befuddled by the turn of events yesterday? The briefing was put off several hours. There were big, high-level meetings going on in the Communications Office.

MR. GEARAN: Well, all levels in the Communications -- all meetings in the Communications Office are by definition high level. (Laughter.)

We were notified that there was going to be a briefing in the morning, just as a --

Q You were notified yesterday?

MR. GEARAN: That there was going to be -- that a press conference was going to be held, correct. We did not receive any of the report or anything that was presented. But we were told that they were going to have the briefing at 1:30 p.m. or whenever it was. Why did I appear befuddled? I frequently -- I don't know how to answer.

Q You knew the contents of this letter for at least 10 days, yet you seemed unable to answer some of our questions when it was released to us so much after the fact.

MR. GEARAN: Yes, I regret -- I mean, I will try to be as complete as I can to answer any of your questions. It has been a very active 10 days here with reconciliation and other matters before the White House. To the extent we seem befuddled yesterday, we regret that.

Q Did you ask the Justice Department not to release this on the day you were having your bill signing and trying to have your message of the day be something far different?

MR. GEARAN: No.

Q Mark, did Vince Foster discuss the items in his note with the President when he talked to the President on Monday night?

MR. GEARAN: No, not that I'm aware of.

Q Are you positive? Is it possible to find out for sure whether there's --

MR. GEARAN: I think we have characterized that conversation from this podium, about the President's conversation with Vince. The President has talked about it. Dee Dee has talked about it here. I think we're about done.

Q None of those things that you mentioned -- was there any other time when Vince Foster discussed these items with the President?

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MR. GEARAN: Let me just try to give the best guidance as we can. If the question is, did anyone realize the depth of his feelings here, the answer is no.

Q That's not the question.

Q That's not my question. My question is very direct, and that is --

MR. GEARAN: Did he review these items, line by line?

Q Or maybe -- and the other question obviously following up is do you know whether he planned to go over these items when he had a meeting scheduled with the President on Wednesday?

MR. GEARAN: No. I can review it, but every indication I have from the President, the type of conversation, it was not specific to these issues specifically or in a general conversation of that nature.

Q Can I ask one other question. Also, this I asked yesterday, maybe there's more information available today. It appears that the President and First Lady had the right without competitive bidding to pick wherever they want to, to use private funds to pay a decorator. And this is the decorator apparently referred to in this note. Why is it that someone can pick a personal friend and make sure the money's directed to them in this way? Why isn't there competitive bidding like there is on any other contract for draperies or whatever?

MR. GEARAN: I would direct you to Lisa in Hillary's office for how that was done. My understanding is, and you should really get to Lisa on this, but in the past the decorators have been chosen by the First Family, as someone that they personally have requested.

Q And it's correct that the funds that are used to pay that friend are from private donations, is that what you were saying yesterday? You were talking about private donations -- I want to make sure I understand you.

MR. GEARAN: Yes. I don't know the payment to Kaki. You need to visit with Lisa Caputo on that. Is that enough?

Q I asked her and, frankly, she didn't know the answers to some of these questions and mentioned that you were having a briefing. And there is this back and forth as other reporters might tell you as well.

MR. GEARAN: Oh, really?

Q I suggested to her, and maybe I could suggest to you that why don't you just release whatever records there are on this so there won't be questions like the ones I'm asking and others will ask? Why can't you just say, here's all the information, and then you can present it to whoever you want to?

MR. GEARAN: I'd be happy to give you as much information as we have in terms of it. I do know that what the intent is at the conclusion of the renovation that they will be issuing the report that will go through that. What I tried to suggest yesterday is in terms of the individual rooms and what exactly they're doing, I am not the best guy for it.

Q One last question on the same subject. My impression is there, in fact, is no formal contract; it's all just word of mouth and they talk it back and forth. And this apparently is part of the problem. Is that your understanding?

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MR. GEARAN: Well, the numbers yesterday were estimates that were agreed to. I don't think that -- we did not mean to suggest that was a contract. The miscommunication was over the estimates of those funds.

Q New subject.

Q Are you saying there is a question as to whether or not all this was private or some might have been public funds?

MR. GEARAN: No.

Q Because there is a circular, a May '76 circular that requires for government procurement purposes that there be competitive bidding. I mean, is this all private funds?

MR. GEARAN: Yes, my understanding is that it's all private funds.

Q From who? How is that money collected?

MR. GEARAN: It's through the Historical Society.

Q How do they collect the money?

MR. GEARAN: We need to get to Lisa on how they do it. I can tell you what we know at this point in terms of the Historical Society. The Historical Society is traditionally the organization within the White House that coordinates the funds that are utilized for the renovation. I don't know how other White Houses have done it. I'm not particularly expert on how it was done.

The intent of the Society was to release it at its conclusion -- the renovation -- what rooms they are doing and all of that. I can tell you at this point that the contributions -- that they expect the entire range to be I think Lisa said \$400,000, in that range for what the total cost would be.

Q Such things as renovations -- I mean, since this is an estimate you're talking about here and hasn't been set in stone yet, it's possible that the cost would be higher or lower when it comes out, isn't that correct? So this isn't a number set in stone that you're talking about now; this is still just an estimate. And when you get done, it could cost more or less.

MR. GEARAN: I suspect that's possible. I think people feel that based on the estimates and the review of the receipts and all of that, that the June estimate is an accurate one at this point in time.

Q Is Kaki under contract?

MR. GEARAN: I don't know the answer to that.

Q I'm sorry, could you take that question and find out?

MR. GEARAN: Is she under contract?

Q Is she under contract? And how much she's being paid. And whether it's a percentage or what the business arrangement is there.

MR. GEARAN: We went through this a little bit yesterday. I think -- and I will visit with Lisa if this is not getting connected to you, because I think it's best rather than

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confusing it from this podium that Lisa really go through this structure with you.

Q Mark, can you comment from your perspective on Governor Weld's tax program?

MR. GEARAN: I don't know enough about the Governor's tax program to comment on it.

Q There are reports that people at the White House are upset that he's trying to upstage you and --

MR. GEARAN: No. I think what was presented to me yesterday was the Governor's concern about -- that it was -- presented concerns about the President's economic package. And I think my comments, as you read through some of the articles that were printed, was that it was specifically answering what our program does. I do not know enough about what the Governor is suggesting in Massachusetts to make any judgment on it.

Q Have you any conclusion on whether it's harmful to U.S. economic -- federal economic policy?

MR. GEARAN: What I was commenting on yesterday was our economic plan and any suggestion that the President's economic plan that was signed was harmful to all citizens. I went through our usual comments on terms of the gas tax and --

Q But in terms of his cutting the gas tax there, does that make any difference to you?

MR. GEARAN: I don't feel comfortable enough commenting. I don't know the specifics of this.

Q Is the President satisfied with Bernie Nussbaum's handling of the 48 hours or so immediately following Mr. Foster's death?

MR. GEARAN: Yes.

Q Did anyone from the White House Counsel's Office, the cleaning staff or anyone else remove anything from Vince Foster's office from the time you were notified of his death until Bernie Nussbaum went into the office with the FBI and others?

MR. GEARAN: Nothing was removed, but what was retrieved was the trash that was retrieved. And then that was --

Q Retrieved from where?

MR. GEARAN: From Vince's office.

Q Retrieved?

MR. GEARAN: Well, I mean, it had been cleaned out. His office was cleaned out.

Q His office was cleaned out by whom?

MR. GEARAN: The normal janitorial service had gone into his office before anyone learned of --

Q So somebody went and got the trash back?

MR. GEARAN: Right. And that was secured. And that was gone through then in the course of the regular review of his office.

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Q -- report that they removed a box -- a box of documents were removed was just false?

MR. GEARAN: I think Bernie spoke to that in the paper today.

Q Mark, has the President settled on a successor for General Powell?

MR. GEARAN: No.

Q What is his time frame for making that decision?

MR. GEARAN: I think he'd like to do it in the most timely manner that he possibly could, given the --

Q Is he close?

MR. GEARAN: I think it's something that he's given some thought about.

Q Would you expect it --

Q Was that the reason for the dinner last night?

MR. GEARAN: No.

Q Would you expect it before the end of the month?

MR. GEARAN: I don't want to get into a time line game at this point. I think --

Q Some of the gay community held a news conference today and strongly urged against General Hoar being selected. Will the President take their comments into consideration?

MR. GEARAN: I think the President is anxious to get the best person into that position. It's a critical position and his interest is to have someone there of the -- as he said before -- the caliber of General Powell. And that's his --

Q Did he give a farewell party last night for Powell?

MR. GEARAN: It was -- he had the CINC dinner last night at the White House.

Q Was it in honor of Powell, or was it --

MR. GEARAN: I don't know if it was specifically in honor of General Powell. I can get you that.

Q Was he honored in some way at the dinner? Did the President propose a toast to him?

MR. GEARAN: Yes.

Q Did he have 16 generals or commanders --

MR. GEARAN: I'm sorry -- what?

Q Did he have a 16 or so commanders there?

MR. GEARAN: Yes, they were all there, as well as Secretary Aspin and Sandy Berger and different --

Q If I could go back to the question of the payment, I asked Lisa Caputo how much she'd been paid and was told that information would not be made public until the renovation was

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completed. Given the fact that decorators often work on percentage, and thus the 50-percent increase in cost might mean a 50-percent increase in payment, do you think you could expedite that information rather than saying we'll release it --

MR. GEARAN: Let me -- yeah, we will try to be as helpful as we can. I want to be as complete as we can on this and I'd be happy to keep going on this question.

Q What I'm trying to tell you is Lisa is saying she's not going to release that now and I am wondering if you could.

MR. GEARAN: Let us go through it. The intent, because the renovation is not complete, is that we would -- that they would issue this at the end of it if we're not -- obviously, for this that would have been the present schedule.

Q Will the President in replacing General Powell create a litmus test or requirement that the new person agree with Clinton in the issue of gays in the military?

MR. GEARAN: I think the President wants the best person for the job.

Q I assume that, but what about on that issue which obviously became a source of contention?

MR. GEARAN: I think people understand the President's position. Whether that will be a topic of conversation between people he's speaking with about it, I don't want to relay his personal conversations to. That might be something that we can discuss.

Q For example, obviously, you know, the question of Roe v. Wade is something he's kept in mind in replacing the Supreme Court seat. Would this be a question that he would -- an issue to keep in mind in filling this position?

MR. GEARAN: I think there's a whole range of issues he'd keep in mind in this topic.

Q Will there be a litmus test on how they feel about gays in the military?

MR. GEARAN: I don't think there's any litmus test present in the Senate and the Court.

Q Do you think that's a factor in the President's analysis of a candidate?

MR. GEARAN: I have not spoken with the President about it specifically to say if that's a factor.

Q Don't wing it.

Q That's an "I don't know," right?

MR. GEARAN: Let me repeat. I have not spoken with the President about this. I think there's a whole range of factors. I don't -- I'm trying to be --

Q The most poignant line in the Foster note is obviously the last one -- "Here ruining people is considered sport." Are you aware of or has there been any discussion which suggests anyone was trying to ruin Vince Foster?

MR. GEARAN: You know, adding beyond what we have said about that Vince was disturbed by matters that he dealt with at work,

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given obviously the concerns that he had expressed in the letter, beyond that --

Q That's not quite responsive. Are you aware of or was there any discussion in the White House to suggest that there had been an attempt to ruin Vince Foster?

MR. GEARAN: No. No.

Q Was anyone in the White House aware -- I assume not, but just to be sure -- was anyone aware that he had just been prescribed an antidepressant drug? He apparently only managed to get one dose in.

MR. GEARAN: No, not that I have reviewed with anyone that I can tell you who might have known.

Q No one was aware of that. If Vince Foster or anyone else in similar straits had wanted to seek whatever help or counsel, are there any sort of facilities or opportunities for that within the White House or are there likely to be?

MR. GEARAN: I don't the answer. There's a physician here. I don't know what -- to be honest with you, I don't know what our health care coverage provides in that regard, what the federal health care coverage provides. I suspect it depends on the coverage plan that you elect of which I'm not knowledgeable to know what he elected, nor do I know if he had that kind of coverage.

Q And not to be overly dramatic or anything. But in the case of an individual within the Executive Office of the President, the White House, who it turn out to be in fairly significant distress, is there any concern on the part of people who operate the White House at trying to prevent something similar in the future or guard against problems that could develop within the White House from another individual who might have a different and perhaps even more severe problem?

MR. GEARAN: I don't think there's anything -- formula, at least I can tell you, anything like this makes the entire White House staff more sensitive to our colleagues and trying to be as mindful of the pressures that people work under as we possibly can.

Q Can I go back to tomorrow? Is the meeting between the Pope and the President, just the two of them?

MR. GEARAN: For the first part of it, yes.

Q For how long?

MR. GEARAN: I believe it's 15 minutes.

Q And they will be joined by --

MR. GEARAN: Ambassador Flynn. I'm sorry.

Q Then turn the lights down.

MR. GEARAN: Brit notes that then we turn the lights down.

Q Who from the Pope's side?

MR. GEARAN: I don't know that.

Q But for 15 minutes it will be just the two of them together --

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MR. GEARAN: Now, the question is whether there's a translator. I don't know the answer to that.

Q And Mrs. Clinton will go in?

MR. GEARAN: Then there is Ambassador Flynn and Sandy Berger for the next --

Q Who is the other one?

MR. GEARAN: Sandy Berger, the Deputy National Security Adviser.

Q For the record.

MR. GEARAN: Yes, we'll have to print that out. I believe it's the next 15 minutes.

Q And then does his family go in?

MR. GEARAN: And then Mrs. Clinton will have the opportunity and Chelsea to meet with the Pope.

Q And kiss the ring?

MR. GEARAN: I'm sorry, was that a question?
(Laughter.)

Q Will they have a private audience set up for staffers, Mark?

MR. GEARAN: Not that I'm aware of. I'd like to know that, though. (Laughter.)

Q Will there be an exchange of gifts?

MR. GEARAN: Yes.

Q Mark, why do you say that you don't think the subject of abortion will be raised? This is an issue that the Pope has been very outspoken on. He's got very strong views. Why don't you think it will come up?

MR. GEARAN: My understanding from the work that we have done with -- that our national security folks have done in advance of that, it's largely to deal with foreign policy issues.

Q And have they expressly said that this issue won't be raised?

MR. GEARAN: I don't know that they've expressly said that, but my understanding is that that what the agenda is going to be.

Q Was your answer yes, that there's going to be an exchange of gifts?

MR. GEARAN: My answer was -- we've got this -- yes, there is an exchange of gifts. What the gifts are and when it will be I don't know if it's private or public. I don't know the answer to that. But traditionally there's an exchange of gifts. We will let you know what the gifts are.

Q Is there a need for a translator, though? Doesn't he speak English?

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MR. GEARAN: He speaks -- the Pope speaks very good English. Whether there is someone there to assist in any matters, I don't know the -- we can tell you that.

Q Can I just get on the travel schedule, will there be a daily briefing wherever the vacation is? What kind of setup are you thinking about?

MR. GEARAN: I would suspect so at some point. At least people will be available. I don't know if it will be a full-scale --

Q We have to take a ferry to get to Martha's Vineyard.

MR. GEARAN: -- briefing. But we will report back.

Q Mark, on a different topic. Does the President believe it's time to raise the minimum wage?

Q Good question. (Laughter.)

MR. GEARAN: What did you say?

Q He did during the campaign. (Laughter.)

MR. GEARAN: What did she say?

Q He did during the campaign.

Q If that helps. (Laughter.)

MR. GEARAN: Back to the schedule.

Q What's the President doing today?

Q Point of order.

MR. GEARAN: Let me just go back.

Q Minimum wage.

MR. GEARAN: Minimum wage. The President spoke about this during the campaign. (Laughter.)

Q We just told you that.

MR. GEARAN: No, I was there. Let me take the question because there is some confusion about the piece today. I know why you're asking and I don't want to screw you up.

Q Let me follow up. Can you confirm that Secretary Reich recommended --

MR. GEARAN: I know where we're going on this one. Let me get back to you.

Q Did he receive a memo from the Secretary?

MR. GEARAN: Let me report back to you completely so I don't screw you up.

Q On the foreign policy agenda with the Pope we may assume that's Bosnia, Somalia. Can you suggest anything else?

MR. GEARAN: We can give you more on that tomorrow.

Q It would help for the overnights tonight.

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MR. GEARAN: Okay.

Q Mark, on the issue of retroactivity, when additional spending cuts are reexamined in September, is the administration open to reconsidering repealing retroactivity particularly if it's proposed as legislation by members of Congress?

MR. GEARAN: I think the President has talked about retroactivity --

Q Is the President -- are you done with that question? (Laughter.)

MR. GEARAN: Why not.

Q Do you expect, in the next day or two, the President to announce his nominee for the next chairman of the Joint Chiefs?

MR. GEARAN: I can't give you any hard and fast time line on that. As I said, I think he'd like to do it as promptly as he can.

Q Do you think it will be today?

MR. GEARAN: I can't give you --

Q Can you rule out if it will be today?

Q Can't you help us out about today?

MR. GEARAN: I would suspect it's unlikely today.

Q What? I didn't hear.

MR. GEARAN: I would suspect it's unlikely today.

Q Is it possible tomorrow?

Q Even if you lower your voice, it doesn't make it more true. (Laughter.)

MR. GEARAN: That's what I was told to do.

Q That's why you're here, because you're so low key, right? (Laughter.)

MR. GEARAN: Low key is spin for boring; I know what you're saying. (Laughter.)

Q When will we know about the vacation -- I know it's pressing you at this point -- but when will we know about this vacation stuff? Do you think it might be tomorrow?

MR. GEARAN: You'll know as soon as I know.

Q Is there any schedule coming out today?

MR. GEARAN: About what?

Q Tomorrow.

MR. GEARAN: I've tried to go through as best we can through next week.

Q Well, you haven't given us the check-in time, the filing time, boring things.

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MR. GEARAN: Oh, yes, those things we'll get you that.
You mean we don't know when we're leaving We'll get that.

Q We don't know. You know.

Q What time do you want people at the airport.

MR. GEARAN: We will report back dutifully.

Q How can people know what to pack.

MR. GEARAN: I would encourage you to pack. (Laughter.)

THE PRESS: Thank you.

END

3:48 P.M. EDT

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New CMS File
Vince Foster
Suicide
press briefing

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

July 21, 1993

PRESS BRIEFING

BY

CHIEF OF STAFF MACK McLARTY
AND COMMUNICATIONS DIRECTOR MARK GEARAN

The Briefing Room

3:38 P.M. EDT

MR. McLARTY: Good afternoon. As I'm sure you can appreciate, this is one of the hardest things I've ever had to do. Like the President and myself, Vince Foster was from Hope, Arkansas, and for more than 40 years he was my friend. And because of that friendship and because of Vince's considerable accomplishments, I took understandable pride when the President asked him to join us here in Washington as Deputy White House Counsel.

For six months, he served his country with distinction in that capacity and, to be sure, the White House has lost a talented and dedicated attorney.

Many of you may not know that Vince graduated first in his law school class and scored the highest grade on the Arkansas bar exam the year he took it, and was made partner in a major law firm in just two years. He chaired the Arkansas Advisory Council to the Legal Services Corporation, and he just recently received the Arkansas Bar Foundation Award and the Arkansas Bar Association's 1993 Outstanding Lawyer Award.

But I'm here today really to talk more as Vince's friend than his White House Chief of Staff. When we received the tragic news last night the President and I joined his family and his friends at the Foster home. And as the President related to the White House staff earlier today, we all shared some warm and some wonderful memories, as well as shed some very real tears.

All of us who have the privilege and honor of calling the White House our place of employment, on either side of this podium, are used to, in large measure, dealing with issues and problems that are tangible, that are knowable, at least in large part, and most times subject to reason. And that is one aspect that makes this tragedy so difficult to deal with. For try as we might, all of our reason, all of our rationality, all of our logic can never answer the questions raised by such a death.

We really can never fully know a person's private pain and what might lead them in their thought process, even a person we have known all of our lives. But what we can do is offer our prayers and comfort to Lisa, Vince's wife of 25 years; their wonderful children; his mother Alice Mae, whom I spoke with this morning in Hope; and to his sisters, Sheila Anthony here in Washington and Sharon Bowman of Little Rock.

As a measure of our affection for them, there has been established a Vincent W. Foster Scholarship Fund with the Arkansas Bar Foundation. Funeral services will be held in Little Rock this Friday. The President and First Lady, as well as Donna and I will, of course, attend. Donna is at the Foster residence this afternoon, and I plan to join her and the Foster family later today.

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It is one of life's ironies that just yesterday, when speaking of what John F. Kennedy had meant to him, the President said -- and I quote -- "The only way to ever honor any memory of someone gone is to do something today which reinforces the validity of that memory in our hearts." And so we will reinforce the validity of our friend's life, even as we mourn the circumstances of his death.

The work which he was devoted here at the White House will go on, and Vince Foster's spirit will live on in the hearts of those of us who loved him.

Thank you very much. I would now like to ask Mark Gearan to respond to any questions that you may have. Thank you.

Q Mack, did you know of any personal reason why he might have done this?

MR. GEARAN: Thank you. Let me provide you some background information, if I might, and walk through some things and then we'd be happy to take some questions.

In terms of the chronology for the White House notification, the Park Service police made the initial contact to the White House security and administrative officers about the report of a body being found. The Secret Service and the Park Service respectively notified the administrative and security officers of the White House. That set into motion calls to the Chief of Staff. We were here for the Larry King Live show in the Residence.

Soon after the show began, we were pulled from the staff room where the Chief of Staff Mack McLarty was informed of this -- that it was an unconfirmed report. In the intervening 50 or so minutes, efforts were made to both confirm the report and to make preliminary calls to individuals that needed to be contacted. Mack McLarty was with us in the Residence and coordinated the activity.

Just about five minutes before 10:00 p.m., before the Larry King Show concluded, we had the confirmation that indeed Vince had been confirmed as deceased. And the President concluded the show, went up to the Residence with Mack; at which point Mack informed the President of Vince's death. Following the indication -- following that report, then the President visited the Foster family with Mack and with several of their friends from here in Washington, senior staff members and folks from Little Rock that went to be near the Foster family at that time.

Secondly, let me tell you a bit about Vince's day-to-day responsibilities here at the White House. He's the Deputy Counsel to Bernie Nussbaum, and as such, assisted Bernie in managing all of the day-to-day activities in the White House Counsel's Office. In a staff meeting that the President had at noon today in the Old Executive Building, Bernie spoke very movingly of what they tried to do in the White House Counsel's Office, and that is to establish a law firm. They view their work as partners, senior partners in the firm in putting together the law firm there. He advised the President in the selection of judicial nominees, was a key person in the Health Care Task Force, and provided day-to-day management assistance to Bernie overall in the Counsel's Office.

Yesterday, Vince attended Judge Freeh's announcement ceremony, returned to his office and did some work in his office. Around noon, he stopped by and visited with Bernie in Bernie's office, which is adjacent to his, ate lunch at his desk. And soon thereafter --

Q Had lunch at Bernie's desk?

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MR. GEARAN: Ate lunch at his own desk. Soon thereafter, left the office and said he would be back. Mack has gone through some of Vince's bio that I think we've provided to you as well, so we'll let it stand at that.

Let me say a bit about the investigation, where we're at at this point. At the request of the White House Counsel's Office, the investigation will be coordinated by the Department of Justice and the Office of the Attorney General and her deputy, Phil Heymann. And that's where we would refer you to any questions. We'll be providing scheduling information and details of the funeral services set for 11:00 a.m. on Friday at St. Andrews Catholic Cathedral in Little Rock. And burial will be later in Hope, Arkansas.

I'd be happy to take any questions.

Q Is there any doubt -- I mean, the Justice Department investigation -- is there any doubt as to the apparent suicide?

MR. GEARAN: I'm sorry. As to the --

Q You say an investigation is underway.

MR. GEARAN: No, it's standard operating procedure, I think, that following a death of this nature that there is an investigation, and that's being coordinated by the Attorney General.

Q Do you know anything about the weapon that was used? To whom it was registered or any of those details?

MR. GEARAN: I don't, but I think it's general procedure that there's research on that by the appropriate agency. And again, Justice can provide you the status of that to determine --

Q Did the Secret Service have a role in the investigation?

MR. GEARAN: It's being coordinated by the Department of Justice. The Park Police, because that was the -- was where Vince's body was found was -- is also involved in the --

Q Was it unusual for him to be out of the office all afternoon? What was going on yesterday that -- did he say anything to anyone before he left the White House?

MR. GEARAN: He did not. He said he would be back. A different points during the day Bernie said, is he back yet? But it was not atypical. They did have meetings or availability, but certainly there was --

Q There was no concern about his welfare?

MR. GEARAN: No.

Q Mark, had he ever given anyone any indication that he needed help or was in a difficult psychological condition?

MR. GEARAN: No. He never said anything to indicate that anything was out of the ordinary to his colleagues.

Q How did he go when he left? Did he have his personal car? Was it a White House car?

MR. GEARAN: His personal car.

Q And no one tried to page him or no attempt to reach him?

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MR. GEARAN: No.

Q What time did he leave?

MR. GEARAN: Soon after 1:00 p.m. or soon thereafter.

Q Was there any indication of the time of -- we know when you guys were contacted, but the time of death or the time that his body was found?

MR. GEARAN: The Park Service can provide that information. I think that we can --

Q Did he go home at all before --

MR. GEARAN: We don't believe so.

Q Do you have the information, Mark?

MR. GEARAN: I'm sorry?

Q Do you have anything that answers Ruth's question?

MR. GEARAN: About the time that his body was found?

Q Yes.

MR. GEARAN: -- 6:00 p.m. I think is what the Park Service report --

Q You don't know -- that period of five hours -- 1:00 p.m. to 6:00 p.m. --

MR. GEARAN: We do not.

Q No one knows where he was in those five hours?

MR. GEARAN: That's correct.

Q Mark, was he under any treatment that was -- was he seeing any kind of doctors? Was he under any kind of medication that you're aware of?

MR. GEARAN: Not that we're aware of, no.

Q Did the Park Service investigators -- I'm sorry, Terry.

Q I was just going to say -- he wasn't seeing a psychiatrist or getting any kind of counseling as far as you know?

MR. GEARAN: Not that we're aware of.

Q Did the Park Service investigators tell anybody on the White House staff what they thought the time of death might have been?

MR. GEARAN: Not that I'm aware of. The exact time of death?

Q Well, or approximate time of death. You say the body was discovered approximately 6:00 p.m. How long had he been dead?

MR. GEARAN: I don't know the answer to that. We can refer you to the Justice Department for that.

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Q The Justice Department has a policy of not ever commenting on pending investigations, so in essence, Mark, by referring us to the Justice Department we're not going to get any answers.

MR. GEARAN: Well, I think if the question is what -- the question is at what time was the death recorded?

Q No, when do they think death took place. They can estimate these things and they normally do.

MR. GEARAN: I don't know the answer to that.

Q Was there a note?

MR. GEARAN: There was not.

Q Are you sure there was no note, computer note --

MR. GEARAN: Not that we're aware of.

Q Do you know of any personal problem that could have driven him to this?

MR. GEARAN: No. As I said, he never said anything to his colleagues here in the White House or his friends here in Washington that would indicate that anything was out of the ordinary.

Q And when things were going wrong at the White House in terms of appointments and the travel office, this did not upset him? I mean, he didn't have any undue stress?

MR. GEARAN: No. I think I've kind of summarized as best, Helen, in terms of talking to other colleagues or friends, and obviously, we spent the preceding -- whatever it is -- 12 hours all visiting with each other on this topic to search our own minds, and there's nothing to indicate that.

Q People have said, though, that there was a change in his demeanor and attitude over the last week or so. Are you aware of that either personally or by report from Bernie or others?

MR. GEARAN: I think people have observed in the White House there are good days and bad days here in the White House. I don't think anyone had an indication that it was out of the ordinary.

Q Had he been, in fact, depressed, down in the dumps in the last few days or weeks?

MR. GEARAN: Some people might have observed it, but again, nothing to indicate anything out of the ordinary, obviously.

Q Had he left the White House for afternoons before? Have you any evidence that he'd taken such long departures?

MR. GEARAN: I'm not aware of it, but I would not be frankly.

Q Are you providing any counseling to any members of his staff about his death? And is there any attempt to counsel people on perhaps the pressures of the job and --

MR. GEARAN: Not at this point, although the President and Mack McLarty, the Chief of Staff, convened a staff meeting today that Bernie spoke at and that Mack spoke at, and the President spoke at. And I think it was a good session for us all certainly to be together and an opportunity to share some thoughts.

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Q The whole staff, Mark?

MR. GEARAN: The entire White House staff was invited.

Q Mark, what time --

Q In 450?

MR. GEARAN: In Room 450 of the Old Executive Office Building.

Q Mark, what time did you say again that the White House was first notified -- 9:15 p.m.?

MR. GEARAN: Nine fifteen p.m., soon after 9:00 p.m. --

Q Well, what accounts --

MR. GEARAN: -- is when we Mack was notified, because we were at the Residence.

Q What accounts for the lapse in time then between 6:00 p.m. and 9:15 p.m. before you or the White House was notified, and who made the positive identification?

MR. GEARAN: The White House, our security administrative officers were notified at 8:30 p.m. or so and 9:00 p.m. respectively.

Q That's still two and a half hours, presumably. Did he have his identification on him?

MR. GEARAN: It was --

Q It seems like -- I don't know, it just seems like an inordinate amount of time, two and a half hours --

MR. GEARAN: I don't know if that's inordinate or not.

Q Okay, but did he have identification on him, do you know?

MR. GEARAN: Yes, he did.

Q Okay -- no --

MR. GEARAN: I do not know. And I don't know if that's inordinate.

Q Who made the positive identification?

MR. GEARAN: Craig Livingstone went to the Fairfax Hospital, accompanied by Bill Kennedy.

Q Who is Craig Livingstone?

MR. GEARAN: He's our security officer.

Q And when you say the administrative and security officers were --

MR. GEARAN: Craig is the security officer, and David Watkins is the administrative officer -- the official point of contacts on all matters of this.

Q The President has spoken of this as a suicide, and so did Mack. What is the evidence that it was a suicide?

MR. GEARAN: The Park Service report indicated that.

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Q Is there any doubt at all?

MR. GEARAN: That's what the Park Service report concluded. We have no reason to dispute it.

Q Did his wife know he owned a gun, or did this come as a complete surprise to her that he even had a gun in his possession, or that he might have secured it only yesterday?

MR. GEARAN: I don't know. I don't know his gun ownership or the nature of this gun. This is, again, part of the standing procedure, and an investigation of this type is that they do look at the number and determine the ownership of it.

Q When he didn't return to the White House in the afternoon, did his secretary or anyone in his office become alarmed, or try to contact the family?

MR. GEARAN: From visiting with Bernie, he did say from time to time and then by the end of the day, they thought he might have then returned home. It was not necessarily atypical.

Q What do you mean by that? Can you explain that?

Q What do you mean it was not atypical?

Q A minute ago you said you didn't know if he had done this before.

MR. GEARAN: That's their observation. I do not know from personal --

Q What had he gone in to talk to Bernie about? You said he visited with him.

MR. GEARAN: They were watching -- he came in to talk about Judge Freeh's announcement and the opening proceeding of the Ginsburg hearings.

Q Mark, Bernie said --

Q Nothing out of the ordinary?

MR. GEARAN: No.

Q Bernie said this was not atypical for him not to have returned by the end of the day?

MR. GEARAN: It was not viewed as any way unusual in that sense. They weren't sure of his exact schedule.

Q In what sense, Mark?

Q Had this happened before then?

MR. GEARAN: I don't know the answer to that.

Q Can you check that for us?

MR. GEARAN: Yes.

Q Mark, what was his -- how did Bernie describe his demeanor at that lunch before he left?

MR. GEARAN: He had -- Vince had lunch by himself at his desk. He went into --

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Q But Bernie was the last one to meet with him at the White House?

MR. GEARAN: Yes. Dee Dee has got the statement we're releasing that from the staff meeting when Mack and Bernie and the President spoke. He did speak about that visit that we can provide you some of the excerpts from.

Q Mark, it's not unusual in a case that seems so unexplainable as this for the person's friends to take on some sense of the guilt that, gee, maybe I did something or maybe I should have -- does President Clinton feel any sense that the pressure or the work load or being part of this administration contributed to his decision?

MR. GEARAN: Well, I think we're all saddened beyond words at Vince's death. Obviously, he was enormously well-respected here. We all feel like we lost a very valued colleague. It's also the case that when we met today we talked -- the President spoke as he had before of the need to balance all of our lives and this provides --

Q The President said that work isn't everything, that you have to pay more attention to friends and family. Does President Clinton feel that he has, perhaps in some way, neglected friends and family?

MR. GEARAN: No, I think we're just speaking to, as he has since we got here, that at moments like this you're reminded of the importance of friends and family.

Q How and by whom was Mrs. Clinton notified? And can you characterize her reaction?

MR. GEARAN: She was -- Mack McLarty, the Chief of Staff, called her from the Residence at 9:40 p.m. -- somewhere -- 9:45 p.m. --

Q Told her before he told the President?

MR. GEARAN: The President was on Larry King Show -- that there was this report. She was in Little Rock.

Q And was this report the reason for the last half hour of the program being cut off?

MR. GEARAN: The original agreement with the show was that it would be an hour, and then it was extended midway during it. But, obviously, as events and our knowledge of the circumstance became more clear, then we agreed to terminate --

Q This was the reason? The stated reason was that there was an appointment. That's the way -- but the appointment was a cover --

MR. GEARAN: The President did not know until he left the set.

Q The appointment was a cover for this event.

MR. GEARAN: The President did not know until he left the set.

Q Was Foster related in any way to the President or anybody else on the staff here?

MR. GEARAN: I'm not aware of any familial relation. They grew up in Hope, Arkansas, and their backyards joined each other

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growing up. The President's grandparents that he lived with growing up and in the foster home --

Q Was he related distantly, if at all, to anyone else on the White House staff?

MR. GEARAN: On the White House staff? I'm not aware of it. His sister, Sheila Foster Anthony, serves in the Justice Department.

Q Mark, I have two questions. One, can you tell us who else besides Mack and the President sat in on that conversation among friends last night at the Foster home?

MR. GEARAN: Webb Hubbell, the Fosters --

Q Including Sheila?

MR. GEARAN: I believe so.

Q Anybody else? Was Lindsey there?

MR. GEARAN: Bruce was not -- David Watkins was there.

Q David Watkins and Pat --

MR. GEARAN: I don't believe so.

Q David called Chief Langston and Major Hines here today, I understand, from the Park Service to brief on this investigation so far. Who did they brief and what did they tell you, please?

MR. GEARAN: Well, the agreement today was, as I said, at the request of the Counsel. The Justice Department is going to coordinate the investigation.

Q And you were told that? Is that what they were brought here to be told?

MR. GEARAN: They discussed that and the Chief agreed to that. Thought that was a good idea.

Q Did they brief you on anything they had gotten? Did they bring you up to speed? Who did they talk to?

MR. GEARAN: No, no, they did not brief me.

Q Mark, just a -- let me follow Ruth's question. Is there anyone of all the people who you've talked to in your discussions, either Bernie or others, who really were in a position to see him over a period of time and measure, who felt or believed there had been a change in his behavior -- a discernible and obvious change in his behavior in the last week or two?

MR. GEARAN: I can only repeat what I've said in that there was nothing people felt that he said anything in the extraordinary, that was out of the ordinary to his colleagues or to his friends. Something we've all thought about.

Q How long did the President stay at the Fosters last night?

MR. GEARAN: He stayed 45 minutes.

Q Mark, back on the investigation. What is the specific goal of this investigation that you're undertaking?

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MR. GEARAN: This is a standard operating procedure.

Q It can't be standard for the Deputy Attorney General to investigate a suicide.

Q Mark, can I follow that, please?

MR. GEARAN: No, to coordinate it with the Park Service and the Secret Service.

Q What do you want to find out?

Q -- the factors that might have contributed to this?

MR. GEARAN: I'm sorry.

Q Are you looking for collateral factors that might have contributed to this, whether it be financial problems or blackmail or something that's unseen at this point?

MR. GEARAN: No, we're looking just to ensure that the standard procedure is followed in the sense of the Counsel's Office here because some of it may require the broadened focus of the Justice Department only in the sense of the Counsel's Office.

Let me just -- I don't want to confuse anyone here. The Department of Justice has been asked by the Counsel's Office, Bernie, to coordinate this from the Park Service to any of the other procedural investigatory authorities on behalf of the White House. That's all that's --

Q Mark, I'm sorry, isn't the nature of this -- in the case of this kind, if I'm not mistaken, at its first impression for the authorities, an investigation to see if, indeed, it was a suicide, and, if not, if it were some other kind of crime? That being the case, I wonder is it standard procedure for the White House, despite the fact that the victim worked here, to be involved in directing how the investigation is coordinated or having the federal authorities do that? Is that standard procedure to your knowledge?

MR. GEARAN: I can provide additional details on the specific legalities as to why that was suggested. I think the instance of both from the scene of Vince's death, it's the Park Service, to any -- another part of the investigation would be any information that would provide background that would also involve his place of work or whatever.

Q You're talking about the White House as supervising cooperation with the investigation, or are you talking about the White House actually having the Justice Department supervise the investigation and run it itself?

MR. GEARAN: What we -- and I will be more precise when -- I didn't come in here prepared fully on this, and we want to make it very clear. My understanding is that the Department of Justice has been asked to coordinate this because of the various investigating authorities. Let me come back to you on it completely so as not to confuse anyone.

Q Who made the request?

MR. GEARAN: The Counsel's Office.

Q Are you going to get back to us on that --

MR. GEARAN: Yes.

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Q So you're going to take a question, in effect, and get back to us?

MR. GEARAN: Absolutely.

Q Are you going to try and get back before our deadlines this evening?

MR. GEARAN: Yes, we don't want to have any confusion on this.

Q Mark, will you explain to us also what this is that they're investigating if the Park Police is convinced it's a suicide?

MR. GEARAN: Yes.

Q Is there any doubt as to whether it's a suicide?

MR. GEARAN: No, as I said, there's no reason to doubt that.

Q -- tell both agencies or --

MR. GEARAN: Yes.

Q Mark, did the President personally request that the Justice Department --

MR. GEARAN: No, the White House Counsel's Office.

Q Can you say what the wife felt? Was there any indication -- did she get any kind of an insight? You weren't there last night in the house, but has there been any word from her, any expression that she might have known he was not feeling --

MR. GEARAN: Not that I'm aware of, no.

Q Do you have any word on a medical exam?

MR. GEARAN: I do not know that.

Q The autopsy has been concluded, has it not?

MR. GEARAN: It was to be conducted today.

Q Are White House employees routinely asked whether they own firearms upon being employed?

MR. GEARAN: I don't recall.

Q What was the question?

MR. GEARAN: Whether White House employees are asked whether they own firearms. I don't recall from the questionnaires that we were provided. I do not know.

Q Did he park on campus here? Did he park his car routinely on campus here on the White House grounds?

MR. GEARAN: I believe so, yes.

Q What's your understanding of how Mr. Foster reacted to The Wall Street Journal editorials about him?

MR. GEARAN: I think people, again, just to state the broader point here because I know where a lot of the concerns are here from folks, is that, generally, in conversations with colleagues that Vince had and as we've all been following up on, no one ever

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felt there was anything extraordinary. In the White House there's good days and days of more stress than others. No one ever felt that he was unduly burdened by it.

Q He seemed to take it in stride, is that what you're saying?

MR. GEARAN: Yes.

Q Mark, how about this travel office report? That concluded that the White House Counsel, among others, could have done more to avert the damage that was caused. Do you have any indication that Vince took that to heart and that had a particular impact on his state of mind over the last couple of weeks?

MR. GEARAN: No, we don't. As you know, Mack and Leon have spoken from this podium about the travel office, and, as you know, there was no instance of conduct that was noted there to necessitate any reprimand of Vince.

Q Mark, do you have anything more on the travel? Is he going to stay overnight?

MR. GEARAN: We don't.

Q Mark, you've left the impression with a comment earlier about his unexplained absence during the afternoon was not atypical -- it left the impression it kind of was not unusual for him to kind of go AWOL in the afternoon.

MR. GEARAN: I don't want to leave that impression.

Q Can you go back to the atypical line and say what you meant?

MR. GEARAN: Yes, thank you. I think what I was trying to suggest is that while he was out of the office, whether this was at a meeting or whatever, people did not feel, based on any comments that he might have given anyone or any behavior that would necessitate further inquiries, that other than the fact that his schedule was not known that he might have left earlier in the afternoon for home after an appointment. It was within that kind of context that there was --

Q Mark, can you give us a rundown on what the President's day and night was like after he left the Foster home last night?

MR. GEARAN: He came back to the Residence.

Q We were told that he didn't get much sleep.

MR. GEARAN: He visited in the Residence with Mack for some time. And this morning he conducted his meeting with the Congressional Black Caucus and then had the staff meeting. The public schedule today out in Maryland was conducted by the Vice President. He's been in the office. This evening's schedule I don't know.

Q Can you go back on Mrs. Clinton's contact with Foster's family and tell us a little bit about her friendship with --

MR. GEARAN: She was Vince's partner at the Rose Law Firm and was friendly with Vince and his wife and their family, as was President Clinton and many of the folks around the White House.

Q Did she call her last night? Did she have any contact with the people who were at the --

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MR. GEARAN: I need to confirm that for you, the timing of the call.

Q Was anyone else on the White House staff or in the President's family or inner circle -- did anyone hear from him yesterday other than the context you've mentioned before this happened?

MR. GEARAN: Not that we're aware of.

Q Or in the 24 or 48 hours before?

MR. GEARAN: Wait a minute, Brit. One more time.

Q I gather that yesterday, apart from the contacts in the office, no one is aware of any discussions he may have had that would shed any light on how he felt or what might have led to this.

MR. GEARAN: No.

Q In the two days -- did anyone else in the White House hear from him yesterday who did not work in the immediate office that might have given some sense on this?

MR. GEARAN: People saw him at the Judge Fresh ceremony.

Q He seemed fine.

MR. GEARAN: He was doing legal work after that at his desk and with a colleague.

Q His secretary had no sense of anything wrong?

Q How involved in the review process for Dr. Elders was Mr. Foster? Was he very involved in the review of her nomination and the questions about Social Security taxes from last weekend?

MR. GEARAN: I don't believe so. I don't believe so. I can clarify that for you, but I do not believe that was part of this.

Q Mark, what did the --

Q He didn't go home during the afternoon, did he?

MR. GEARAN: Not that we're aware of, no.

Q And did the authorities call his family, or did the White House contact Mrs. Foster?

MR. GEARAN: The authorities went to the Foster residence.

Q Has his office been searched at all for clues? And is it now being sealed as part of the investigation?

MR. GEARAN: It's secured, yes. It's secured.

Q And was it searched for notes or clues or anything?

MR. GEARAN: There was nothing remaining, no.

Q What are the ages of the children?

MR. GEARAN: We can provide the exact ages. Two are in college and one is about to enter his senior year.

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Q Of college?

MR. GEARAN: I'm sorry -- in high school.

Q I'm sorry. You said there was nothing remaining in his office?

MR. GEARAN: The question was a note, I believe, wasn't it?

Q Was it searched for a note.

MR. GEARAN: Is the question --

Q For any clues or nothing remained?

Q Why has it been sealed?

MR. GEARAN: That's part of the standard procedure as --

Q Was there any indication, Mark, that he had tried to put his affairs in order in some way --

MR. GEARAN: Not that I'm aware of.

Q -- like tidy up legal matters?

MR. GEARAN: Not that I'm aware of, but I don't know the answer.

Q And the police informed Mrs. Foster?

MR. GEARAN: Yes, yes.

Q They came to the house?

MR. GEARAN: They go to the house.

Q Do you know did they --

MR. GEARAN: The question was did the police inform Mrs. Foster.

Q Did they inform Mrs. Foster before they informed the White House? That might account for the lapse in time. Do you know what time they informed her?

MR. GEARAN: They informed -- they went to the house right before 10:00 p.m., I think. They wait for confirmation -- somebody to identify the body.

Q What particular official made the ruling that the death was by suicide, and what particular official was conducting the autopsy?

MR. GEARAN: The Fairfax County Coroner's Office in the instance of the latter question, and the Park Service police report indicated that.

Q What kind of hours has he been working and when is the last time he had a vacation?

MR. GEARAN: Vince was very hard-working. I don't know his exact hours. I think --

Q Is it 18 hours, is it 14 hours, is it seven days a week?

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MR. GEARAN: It's at least 12 hours, I would suspect, or more.

Q When was the last time he had a vacation?

Q Do you have any details on how he was found, who found him?

MR. GEARAN: I don't know the answer to that.

Q Do you have any details about how he was found or who found him?

MR. GEARAN: No, I don't.

Q What is the President's schedule? Do you have any details over the weekend?

MR. GEARAN: No, we'll have to provide that for you.

Q Will he go to the burial?

MR. GEARAN: He's going at least to the funeral at this point.

Q Mark, can you tell if that's the only business relationship that Vince and Hillary had was in the law partnership? Do you know if they had any other business relationship?

MR. GEARAN: I'm not aware of any other business relationship, no.

Q Mark, did the President phone the First Lady last night?

MR. GEARAN: Yes, he did.

Q Do you know how long they spoke?

MR. GEARAN: I don't know that. Mack was -- it was from the Residence and Mack was there.

Q Can I ask you a question on another issue?

MR. GEARAN: I want to get back to you on this Justice thing --

Q Mark, has she returned to Washington?

MR. GEARAN: No, she's in Little Rock.

Q Will you release the Park Service police report? Is that a public document you can release?

MR. GEARAN: I can check. I think they have released it. Yes.

Q What was Foster like to deal with in the office on a day-to-day basis?

MR. GEARAN: Vince Foster was a delightful guy. He was solid. He was someone that you'd want as your lawyer. He was earnest and exhibited a tremendous sense of honesty and integrity, and also enjoyed the good humor and respect of -- people who worked with him liked working with him and for him.

Q You're giving an impression that he didn't wear his emotions on his sleeve. Is that accurate?

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MR. GEARAN: I think we'll leave it as where I left it.
I think it's --

Q Mark, was he driving home? Was this the route to his home?

MR. GEARAN: He lives in Georgetown or Northwest.

Q Mark, can I ask you a question on another subject? The Congressional Black Caucus said today that the President indicated he was considering adding a black and a woman to his inner circle. Where do things stand on that? Is that an accurate portrayal of where things are?

MR. GEARAN: I wasn't at the Black Caucus meeting, so I'm not prepared to take the question.

Let me leave it there because I don't want to leave any misunderstanding on the status of the coordinated effort with Justice.

Q When did Mrs. Foster last see her husband? Did she have any indication? Did you say yesterday morning before he left for work?

MR. GEARAN: I can't confirm that. I don't know the answer to that.

Q Thank you, Mark.

END

4:15 P.M. EDT

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THE WHITE HOUSE

Office of the Press Secretary

CWH: Sloan
Room 128 OEOB

Release

July 30, 1993

PRESS BRIEFING
BY DEE DEE MYERS

The Briefing Room

1:47 P.M. EDT

MS. MYERS: The good news is that the filibuster has been broken on national service. The Senate has decided that there is no need for a second cloture vote. Mitchell and Dole just announced that national service will be the first order of business on Tuesday and we are fully confident that the Senate bill will now pass. So good news breaking out all over.

Q Is there any good news to be seen in a 4.3 cent gasoline tax which either won't fund enough of the social programs that many people want, or won't reach the \$500 billion target? How do you make that add up?

MS. MYERS: Well, first of all, as you know, they're still working out the final details of the package, but I think we're going to get a very good package that meets the President's principles, which is roughly \$500 billion in deficit reduction, investments -- somewhat scaled down, but his investments are still there. There still will be family preservation; there still will be earned income tax credit; there still will be a terrific package of incentives for business, small business in particular. We feel very good about this package.

Q How roughly will it approximate \$500 billion?

MS. MYERS: Well, it will be roughly 98 percent of the way there.

Q You mean \$490 billion or --

MS. MYERS: Yes -- they haven't worked out the specific number, but it will be somewhere in the vicinity of 98 percent of the way there, which we think is good news. As you know, there were several attempts to move from a target of \$500 billion to something like \$400 billion, and the President stood his ground. He was committed to getting close to half a trillion dollars in deficit reduction. He got 98 percent of the way there. We think when the deal is done and the dust settles that it will be roughly 98 percent.

Q Do you think you have the votes?

MS. MYERS: We hope so. I mean, we're guardedly optimistic. We're going to work like crazy over the course of the next week. We're not going to take a single vote for granted. We're going to continue doing what we've done for the past week, but I think we feel good about the package and steeled to fight for its final passage.

Q How do you feel about Ross Perot's suggestion that since this doesn't meet even his target, maybe we ought to just start all over again and have a little -- you know the rest. (Laughter.) Go ahead.

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MS. MYERS: I think it's yaddee-yaddee-yadda, that's how we describe that. (Laughter.) No, I think the President, this administration and Congress have worked very hard to put together a package that will get this economy moving again, that will create jobs, that will provide incentives for growth, that will invest in our people again and reduce the deficit by an historic margin. And we've got that.

Q You're going to have the next two days of him on television. He's got five interviews scheduled where he's going to do his best to destroy this. That's just -- I mean, he's not interested in this passing. How do you counteract that? And has the President had any contact with Perot at all about this? Does he plan to? Has anybody else in the White House?

MS. MYERS: The President, I don't believe, has had any contact with him at all.

Q Has Gergen --

MS. MYERS: I don't know, and I will have to take that question, because they do talk from time to time and I don't know when the last time that they may have spoken.

Q How do you counteract this -- Susan asked --

MS. MYERS: I think what -- Perot may be out there, but so will members of this administration, as they have been aggressively for the last couple weeks and consistently before that. But I think what -- and I think you've seen some of the results of that. They're starting to show up. I think people are getting a better sense of what's in the package, or how it's going to affect their lives. We're going to continue to fight to educate people about this. This is something that we believe will create jobs, it will have an impact on their lives. It will cost the middle class about \$1 a week. The vast majority of the new revenue comes from the wealthiest people in our society. This is a fair package.

Q Can we get it today?

MS. MYERS: I hope so. I think that's our expectation, yes.

Q Dee Dee, I saw Senator Hollings over here and I guess he went jogging with Senator Baucus. Could you tell us some of the other senators that the President has talked to personally today or on the phone?

Q Or last night at dinner?

MS. MYERS: Gosh, I don't have a list from last night at dinner. I will take that question and will post who he talked to today. It's been kind of a shifting list.

Q You said the President was standing his ground. Went on the way the President lobbied in the Senate, particularly of the Senate, and why he is reportedly seemingly unable to actually ask for people's votes and push hard -- (laughter) -- could you talk a little about --

MS. MYERS: Generally these are one-on-one meetings, so I don't know whether or not he's asked for people's votes. I mean, I think certainly he wants -- is seeking their votes, which is why he's been meeting with them.

Q Right, but so many senators -- congressmen have come out of there saying he never really put the squeeze on me. I mean, all of them --

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MS. MYERS: He's a nice guy. No, I think it's very clear from both the President's conversations with members and from other members of this administration's conversations with members that we're seeking their votes. And I just can't -- I don't know who you're talking about who feels the President hasn't --

Q -- had story today that listed -- quoted by name -- a big handful of people who said that said that he never asked for their votes. Now, is it just because he feels like he -- that's impolite or --

MS. MYERS: I would have to ask him about it, and I have not.

Q Could you?

MS. MYERS: Yes, sure.

Q Dee Dee, sort of an arithmetic problem. Is there any possible way of meeting this roughly \$490 billion package by counting the additional interest savings that are now estimated as a result of your lower deficit projections that you announced a few weeks ago?

MS. MYERS: I'll have to take -- I don't know how the math is going to come out on that. We'll have to wait and see.

Q Can you count additional interest savings as a result of your lower deficit projections. Can that be counted into the mix of \$490 billion?

MS. MYERS: I just don't know whether that will be factored into the final package or not. I'll have to take that question. We'll have to wait and see what comes out of the conference report.

Q Are you going to do a briefing on Panetta or --

MS. MYERS: Yes, this afternoon after -- we're going to actually do two briefings. I'm glad you asked, because you love it so much. I think somebody will come down and do national service once they get the final details worked out on that package. And that will be -- and then as soon as we get a conference report, which we hope will be today, I think the President will have something to say about it, and then there will be a briefing in 450.

Q Is it possible to do it here? That's late.

MS. MYERS: Yes, if it's late, we can try to move it to here, sure.

Q What's the briefing on?

MS. MYERS: It will be on the details of the conference report.

Q What are you going to do next week exactly --

Q Who's going to do it? The President's going to do it?

MS. MYERS: No, no, no. The President will say something about it.

Q Where?

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MS. MYERS: Somewhere -- I don't know if it will be in the briefing room. It will depend on what time.

Q To the pool? To the pool or to the assembled mass?

MS. MYERS: I think we may try to do it for the assembled mass. We haven't really worked out the details yet.

Q In the Rose Garden --

MS. MYERS: Probably.

Q Is he going to do a TV address on Monday?

MS. MYERS: We're working on details of an address, and we haven't worked it out yet. As soon as we -- we hope to get the details on it worked out today.

Q Would Monday be a likely time?

MS. MYERS: I wouldn't rule it out.

Q When?

MS. MYERS: The question was is the President going to do an Oval Office address on Monday, and the answer is we're working on it. If we get it worked out we'll let you know. We hope to have something to talk about later today.

Q -- Sunday?

Q Sunday is fading?

MS. MYERS: I would rule out the weekend.

Q Yeah! (Laughter.)

Q What do you have on the weekend?

Q Dee Dee, David Mixner and some other people were arrested today about midday in front of the White House. Do you have a response from the President? And if you don't, could you get one?

MS. MYERS: I just don't think the President will have any comment on that.

Q What's he doing this weekend?

MS. MYERS: Saturday is -- he will come in, I think he in the office here in the morning for a couple of meetings probably on the budget package. Then he'll take the rest of Saturday down. And Sunday is -- I'm not sure.

Q Does David Mixner's participating in that demonstration affect his job here in the White House?

MS. MYERS: He doesn't work here.

Q I'm sorry.

MS. MYERS: There's a lot of David's. I know.

Q Does it affect David Leavy's job? (Laughter.)

MS. MYERS: He's a short-timer anyway, so --

Q -- Gergen's --

MS. MYERS: Right.

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Q First, the Washington Post today says that the famous torn note mentions travelgate. Is that correct?

MS. MYERS: I am not in the position to comment on the contents. I just can't.

Q Also, in regard to your answer to Carl before, you said you don't think the President would have any comment. David Mixner has described himself and Clinton has described him as close friends for 20 years. This is someone who is so upset by his close friend's policy that he got himself arrested in front of the White House. It's a little mind-boggling --

MS. MYERS: I think that the President is well aware of Mr. Mixner's position on the military decision -- gays in the military decision. And I don't think he has anything further to say. I think it's been well documented Mr. Mixner's opposition.

Q Dee Dee, does the President favor a wider use of airpower in Bosnia? Wider than just to protect the U.N. peacekeepers?

MS. MYERS: As you know, we're talking to our allies about how best to support the negotiations in Geneva and to prevent further deterioration of the humanitarian situation in Sarajevo and some of the other population centers. And beyond that, I don't have anything to say.

Q In these talks with allied officials, are we making the suggestion that airpower ought to be considered for the purposes you just stated?

MS. MYERS: I'm just not going to comment on the content of the discussions, other than to say that the general goal is to figure out how best to support the negotiations in Geneva and to protect the -- to prevent the further deterioration of the humanitarian situation on the ground.

Q Would this, again, be a multilateral thing? In other words, supposing that the allies as in May don't go along at that point. We also get off --

MS. MYERS: We're discussing the situation with our allies, and beyond that, Leo, I just don't have any comment.

Q Dee Dee, in connection with the Vince Foster case, the police are described in this morning's paper -- the Washington Post -- as saying that the White House hindered their case by slowing down the examination of the evidence, especially the note. Do you have a reaction to that? What do you say to that? And also, in the search of Foster's office, was it actually Bernie Nussbaum who physically went through all of that evidence, or did the Park Police physically do it under the supervision --

MS. MYERS: The first part is that we're doing our best to cooperate with the ongoing investigation -- Park Service investigation. And we will continue to do that. We will continue to do our best to facilitate that and cooperate. Bernie did actually do the physical going through, because many of those documents are protected by either executive privilege or attorney-client privilege. And so Bernie went through and sort of described the contents of each of his files and what was in his drawers while representatives of the Justice Department, the Secret Service, the FBI and other members of the Counsel's Office were present.

Q Was that the only time any White House official had gone through those documents?

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MS. MYERS: That was the first time. And I believe then an associate counsel cataloged the contents -- cataloged the files in Vince's office.

Q Regarding -- note, is the name Nussbaum mentioned in it?

MS. MYERS: Again, I'm not going to comment on the contents of the note.

Q Dee Dee, have they checked the --

Q And what about the FBI -- the incident described that the FBI agent told to --

MS. MYERS: My understanding was that a junior member of the Counsel's Office said something to an FBI agent when he stood up and Bernie Nussbaum then contradicted that and said that he thought that the other person was wrong.

Q Is the FBI conducting its own investigation?

MS. MYERS: You'd have to check with them.

Q Does anyone know if he ever threatened to quit and whether he was taking an antidepressant?

MS. MYERS: I don't know. On the drug you'd have to check with the Park Service Police.

Q And will the Park Service report be put out publicly without going through the White House control?

MS. MYERS: You'd have to check with whatever their standard operating procedure is.

Q Well, I'm sure they don't deal with the White House every day.

MS. MYERS: That's true. I mean, I think that that's something -- or perhaps a better point of contact on that is the Justice Department. I don't know and I don't think that we know exactly what the final report is going to look like, what it's going to contain, or how it will be handled. I think we'll have to wait until it's done.

Q In the search of the office, did they check the -- with the FBI and the police present -- did they check the computer files, any dictating tapes, videotapes, or audio cassette tapes to see if an audio or electronics message was left or anything?

MS. MYERS: I will have to take that. I don't know whether there is any kind of audio equipment in his office, whether he used any of that. And as to computers, I'm not sure what the arrangement was on that. I know there was some arrangement the they made to place to have those files checked.

Q And the phone logs?

MS. MYERS: The computer files and phone logs. I'm just not sure what the status of those two issues is.

Q What do you know about -- relationship between Mr. Foster and Mr. Foster?

MS. MYERS: They had a very good working relationship.

Q What was the question?

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MS. MYERS: What was the relationship between Mr. Nussbaum and Mr. Foster. They had a very good working relationship. Bernie described it, I thought, fairly eloquently on Wednesday of last week when he said that they got together when they both came here and decided that they wanted to run the White House Counsel's like a little law firm and to operate as partners in a law firm would. And I think that they were well on their way to establishing what they thought was a good partnership.

Q Dee Dee, is it true that McLarty's directions that the Foster office be sealed was not carried out for 12 hours?

MS. MYERS: No, what happened in that regard was that evening, Tuesday evening, as people were here in the White House notifying family members and others about what had happened, it was suggested by Mack we need to make sure that Vince's office isn't disturbed. The Counsel's Office is -- every night is locked and alarmed. So I don't think -- there wasn't a need to lock it in any other way. So people just made sure the door was closed and that when the members of the Counsel's Office left that the door was locked and alarmed as it always is. And the next morning, they asked the Secret Service to put a guard on it just for an additional layer of protection.

Q Is the White House satisfied that there were no improper removals of documents or other possessions from that office?

MS. MYERS: Yes, we have just no reason to believe that that happened.

Q Since the outbreak of fighting in Lebanon, has the President himself been in touch with any of the Middle East leaders?

MS. MYERS: No. As you know, Secretary Christopher has been in constant contact with the Israelis, the Lebanese and the Syrians.

Q -- getting back to Bosnia, there's a report on the wires that there's been an agreement reached in Geneva between the parties -- at least an initial one. Have you received word of that? Do you have any reaction?

MS. MYERS: That's the first I've heard of it. I've not seen that report.

Q And has the President been speaking with any foreign leaders today?

MS. MYERS: Not that I know of. I don't believe so, and I'll double-check, but I don't think so.

Q I'm a little confused. Does the White House not trust the FBI or the Park Police to treat the information in Foster's office with due confidentiality? And how can they conduct a thorough investigation if they're doing it through the filter of Nussbaum who's doing it himself apparently?

MS. MYERS: Well, I think that is a -- it's not an issue of trust, of whether or not you trust. Certainly, we trust the Justice Department and the FBI. But there is an issue of privilege, which is I think always taken very seriously by attorneys, as it should be. And so, I think most of the documents that Vince was working on were protected by one sort of privilege or another.

Q Protected from whom?

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MS. MYERS: Protected from anybody outside of the attorney-client relationship.

Q Well, wait a minute, does the President not also have an attorney-client relationship with the Justice Department?

MS. MYERS: I'm not familiar with all the privileges that exist, but I know in the case of the White House Counsel's Office, one of Vince's functions was to serve as the First Family's lawyer within the White House Counsel's Office, and that was part of what he did. Plus a number of the issues that he's working on are --

Q So he's the President's private lawyer --

MS. MYERS: Well, he's the White House -- he's the guy in the White House Counsel's Office who handles issues relating to the First Family and the Residence.

Q So the White House is asserting here an issue of personal privilege with regard --

MS. MYERS: Well, both. I mean, there's an attorney-client privilege and there's also an executive privilege. And I am not an attorney, nor an expert on privileges, but I know that this is -- there's a very serious question about how -- but in answer to the other part of your question, I think that Mr. Nussbaum conducted a very thorough investigation, particularly in terms of what they were looking for. I mean, he went through the files and described what the issues were and what the contents of the files were without having them read the specific documents.

Q So the investigators had to rely on his characterization of everything?

MS. MYERS: That's correct.

Q And, Dee Dee, he missed the note. Didn't Nussbaum miss the note?

MS. MYERS: Well, it was in the bottom of Vince's briefcase torn up. So, yes, they didn't discover it until Monday.

Q Well, how can you characterize it as a thorough investigation when he didn't find the most salient piece of evidence that's been found so far?

MS. MYERS: Your characterization, not ours or anybody else's.

Q So you don't think it was --

MS. MYERS: I just don't know if it's the --

Q Was it a thorough investigation?

MS. MYERS: Yes, I think it was a --

Q Was a thorough search?

MS. MYERS: Yes, I think we feel it was a thorough investigation.

Q So you -- okay. (Laughter.)

Q Thank you, Brit. You may step down. (Laughter.) But was there any other piece of evidence that's more relevant?

MS. MYERS: I'm just not going to get into characterizing things like that.

Q Isn't there an inherent conflict of interest if you have the same person representing the family -- the client-family relationship as executive privilege? You're saying -- is there any consideration of taking or having an independent counsel look into this? If you're being protected both by the attorney-client privilege as the First Family's lawyer --

MS. MYERS: The intimation here is that -- I mean, there has been no allegations of any kind of criminal wrongdoing. There's been no suggestion that there's anything in there. We have cooperated fully with the ongoing investigation. If, at the end of the investigation, the investigators or somebody thinks that there needs to be another look at this, then we'll be happy to revisit it. At this point we've cooperated completely. I think the investigating agencies feel they have gotten what they need and continue to get what they need.

Q Then how do they know if it's been screened?

MS. MYERS: They're the investigators. Talk to them about how they know.

Q Wait a minute, Dee Dee. If you're the ones who control the evidence, it's not -- it's perfectly appropriate to ask you that question.

MS. MYERS: But I -- no.

Q And to say -- it is not an answer to the question to say talk to the people who have to get it through to you --

MS. MYERS: It is -- no, no, no, Brit.

Q -- as to why -- how we can know.

MS. MYERS: No, no.

Q That's a fair question to put to you is all I'm saying.

MS. MYERS: But here's the thing. It is not up to us to determine what they should be looking for.

Q That's how it works, though, isn't it? What they get -- you're determining what they get to see.

MS. MYERS: No, it -- in terms of -- they haven't -- I don't know exactly what they've asked for, because -- I'm not the point person on the investigation. But it is up to them to decide what it is they think they need. If they need more information they'll come back to us.

Q Did the Park Police decide --

MS. MYERS: That's a decision -- if they don't feel they have enough information --

Q Let me ask you a question. If there's an investigation of a private citizen, suicide, do you really imagine that the private citizen's lawyer gets to stand there and see -- preside over the search of the person's premises?

MS. MYERS: Of anything that would be protected by attorney-client privilege, absolutely. Of course, they would, Brit. Of course, they would. If somebody had legal papers pertaining to

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some issue that they were working on that were protected by an attorney-client privilege, that would be something that the --;

Q I think you better look it up.

Q How about if the attorney was a partner of the deceased? This is not just an attorney-client relationship, this is an attorney that had a working relationship with the deceased --

MS. MYERS: The issue is not --

Q -- not a third attorney here looking at this.

MS. MYERS: The documents are protected by privilege. The Park Service police is conducting an investigation. They feel they are getting enough evidence to make a conclusion about what happened and why Vince took his life. They feel they're getting access to the information they need to make that determination with enough certainty to conclude it. They have said that they think they'll wrap the investigation up next week. Among other things, they said in the paper this morning they're waiting for the results of his autopsy. They feel they have enough information to make a conclusion. That's what -- that's their judgment.

Q Just to take it perhaps to an extreme that it shouldn't be taken, but how about --

MS. MYERS: Why not? (Laughter.)

Q -- Nussbaum flipping through this finds a note from Vince that says I can't stand working with Bernie Nussbaum anymore. And Bernie says, oh, this is executive privilege and stuffs it back in his coat pocket. I mean, there's no independent person looking at these materials and saying this is relevant, this is not.

MS. MYERS: Again, the documents that -- the documents that were not protected, such as, I think he had some personal documents -- his lease for his house, for example -- they were allowed to look at. But the documents that are protected by privilege they were not allowed to look at.

Q Dee Dee, do you deny that the White House could waive attorney-client privilege?

MS. MYERS: I don't know. I --

Q Can take the question of whoever --

MS. MYERS: Sure.

Q And ask you whoever in the White House is making the judgments about what the White House will or will not do --

MS. MYERS: As you know, that's a complicated and precedent setting kind of decision.

Q The second question is, you originally designated the Justice Department as the point of contact --

MS. MYERS: We designated them on Tuesday night after Vince's death -- or Wednesday morning.

Q What's the rationale for that. And doesn't that rationale maybe apply to who the filter becomes for evidence that goes to the investigators?

MS. MYERS: The rationale was to have a point of contact outside the White House in case there were requests for things, in

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case the investigators needed additional information, that they wanted to come back in and talk to people. It's a way to have a point of contact --

Q Then why isn't the Counsel's Office just as qualified to do that as they are the screen the evidence --

MS. MYERS: That is not protected by attorney-client privilege or by executive privilege.

Q Wait a minute, that's not the question.

MS. MYERS: Well, I mean -- yes, I think that's the answer, though.

Q Why is the Counsel not fit to be the point of contact since the Counsel is --

MS. MYERS: Well, for the reason that I just gave, but the distinction is attorney-client privilege and executive privilege. That is why Bernie was conducting the investigation. But under the circumstances, we thought it would be easier, better, to have the Justice Department to serve as the point of contact.

Q Was the President among those interviewed by investigators or has he provided them a statement or been requested to provide a statement?

MS. MYERS: He's not been requested.

Q Why was it necessary to have the Attorney General and the Deputy Attorney General weigh in on the question of whether the note should be turned over to the Park Service?

MS. MYERS: They were contacted and they came over and were asked what should be done with it, whether it should be given to the Justice Department or to the Park Service police. They said they took a copy of the contents of the note and suggested that the note itself be turned over to the Park Service Police, so that was done.

Q That seems like an -- I mean, it seems obvious that the people who are investigating whether or not this was a suicide are finding reasons for a suicide would be allowed to have a copy of the note. And I guess I'm just mystified by the summoning of the two top ranking people at the Justice Department to weigh in on this.

MS. MYERS: It -- Phil Heymann was the lead coordinator person. I mean, he -- and so I think the point of contact works both ways. Our point of contact for an ongoing investigation wisely, I think, is the Justice Department. So Phil Heymann was contacted and he asked the Attorney General to come with him. I think that that was the appropriate thing to do. I think the point -- it's important that the point -- that our contact with the investigating agency be done through the Justice Department.

Q And the discussion there was not whether to turn over the note, but who should get it?

MS. MYERS: Well, what we should do with it. I mean, I think that was a judgment we asked them to help us make, or to -- we asked for their best guidance on that and they said it should go to the Park Service Police. That's part of what we asked them to do.

Q What were the other options?

Q -- alternatives?

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MS. MYERS: You know -- I think it was pretty clear we were going to give it to either the Justice Department or the Park Service Police.

Q Who made the decision not to make it public and why?

MS. MYERS: The Park Service Police -- and, again, that contact happened through the Justice Department -- that they thought that it would not be wise in the context of an ongoing investigation.

Q But would it -- how about the future?

MS. MYERS: I think we'll wait and see.

Q -- go back to a question Jill asked a while ago. The Washington Post account this morning described a scene where supposedly Nussbaum told an FBI agent to sit down and not to peek at documents. Were you saying that account is incorrect?

MS. MYERS: I don't remember -- maybe you guys can help me -- if it said who from the Counsel's Office.

Q It said an official, I think.

MS. MYERS: Yes. And my -- I think I explained that it was a junior member of the Counsel's staff who suggested that the person sit down and Bernie suggested that that was not necessary.

Q Dee Dee, I'm confused here. What -- a lawyer relationship are you talking about? That's usually a phrase used between a man on his personal business and his lawyer. Are you talking about personal business or are you talking about public business?

MS. MYERS: There is an issue of privilege in both.

Q We know what executive privilege would be, but what about the client-lawyer relationship as regards public governmental matters -- public governmental matters?

MS. MYERS: Well, executive privilege would apply -- and, again, I should probably -- at some point we probably need a better explanation about how these privileges work. But there is both personal relationships since Vince Foster handled a lot of the President and First Family's -- what personal business there exists for them. And he did previous to his arriving here at the White House. And he also handled legal issues pertaining to federal government business. So both.

Q When you turn over something to the Justice Department -- to people who are appointed by the President -- that's hardly independent. That's not independent. When they speak of an independent counsel or investigation, they're usually speaking of somebody being appointed by the President. But Reno and Heymann would certainly be under the President's --

MS. MYERS: I think that Janet Reno has shown herself to be quite independent and we expect that she is.

Q -- we all love her and all that, but --
(Laughter.)

Q Who has taken over the Clinton's personal attorney business?

MS. MYERS: I'll have to take that question. I don't know that it's been passed -- some of the existing files were

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probably passed on to somebody, but I don't know if a determination has been made in a larger context.

Q Will Christopher go to Lebanon if they're still fighting?

MS. MYERS: He's --

Q I mean, not to Lebanon. I mean to the Middle East.

MS. MYERS: To the Middle East? Yes, his plans are to leave over the weekend and to be in the Mideast next week as planned.

Q Will he go to Europe?

MS. MYERS: There have been no change in his plans.

Q Will he go to Europe too in addition to the Middle East?

MS. MYERS: I don't know that he has any plans to. I'd have to refer you to Mike over at the State Department.

Q On the Middle East, the Egyptian ambassador to the U.S. spoke to reporters this morning at the National Press Club, and he said he was highly optimistic that in the next few hours things could possibly return to normal in Lebanon and that the U.S. was keeping very -- continuous contact in the region. Is there any reason for his --

MS. MYERS: The second part of your statement is certainly true. Secretary Christopher has been working very hard, and the U.S. has been continually urging for a stop to the violence there and making our case very aggressively. We're hopeful that the violence will stop. We'll wait and see what happens.

Q He sounded very, very --

MS. MYERS: If it happens, that would certainly be good news. I mean, we'll wait and see, but we've certainly been urging them to stop.

Q Dee Dee, is there any -- is the President concerned that the Senate may filibuster on Dr. Elders' confirmation proceedings for Surgeon General?

MS. MYERS: I don't know whether that's a concern or not. As you know, she passed out of the committee -- I believe it was 13-to-4, and picked up three Republicans. So we were -- that was obviously very good news for us today. And we'll see. I haven't heard that the Senate may filibuster her, but I don't know.

Q Dee Dee, there was an impression -- the last few days that the administration was washing its hands of Bosnia -- maybe an incorrect impression, but there were reports -- correct. And then there have been these incidents -- attacks on U.N. forces. Has that compelled Clinton to be reengaged? Or how would you describe -- the last few days and his personal thinking and his -- in other words, has he said now I've decided I've got to do something again? What's going on with his thinking?

MS. MYERS: Well, first of all, I think the President directly tried to dispel the notion that we were disengaged. I think he said specifically that he thought some statements in Secretary Christopher's speech had been misinterpreted and that we were still very much engaged in Bosnia. I think the -- this administration's foreign policy team has been continually involved in that very difficult situation. I think -- obviously things have gotten very

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difficult and we're continuing to discuss with the allies what we can do to support the negotiations and to counter what to do -- we're worried about the deteriorating conditions there.

Q Will he be reluctant to do anything while negotiations are at such a seemingly important stage?

MS. MYERS: Well, again, the conversations are ongoing, and I just can't comment on the content.

Q Can you walk us through the logistics for the afternoon again --

MS. MYERS: It's somewhat unclear, but we expect -- assuming we get a conference, which we're hopeful that we will, then the President will have something to say. And then as soon as we can get the information together, we'll do a background briefing on it. Now, we had originally planned to do it 450. It's been suggested that if we're on deadline that we do it here. I think that's something we can try to accommodate. I think it's Rubin, Altman -- do you know who the other -- Tyson and Panetta, I think are the people who will be on hand to brief.

Q When you say background briefing, do you --

MS. MYERS: It will probably be on the record --

Q Before camera?

MS. MYERS: Yes. I think we made that decision.

Q When you say -- when you say you're going take a question, what are the terms that you're committing to in terms of a response?

MS. MYERS: We post the answers to all taken questions everyday.

Q Well, there were questions taken yesterday --

Q Did it happen yesterday?

MS. MYERS: Yes, sure, it did.

Q The problem is -- late.

MS. MYERS: Well, yesterday's briefing was late, so we apologize for that. But we do try to get them turned around in a timely manner with sensitivity toward deadlines.

Q But to each question to which you say you will take the question.

MS. MYERS: Yes, normally we don't necessarily post the questions, we usually just post bullets that contain the answers to taken questions.

Q But if they're ones that you don't have responses for, you just don't note that or you try to note that there won't be a response?

MS. MYERS: No, I generally don't note it. I mean, we provide the information that we're able to obtain in reference to taken questions. It's usually -- we usually answer all the questions.

Q There was talk about him going up to the Hill as well. Is that off completely?

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MS. MYERS: Yes, that's not going to happen today.

Q Is the radio address live tomorrow?

MS. MYERS: No, it will be taped sometime this evening.

Q What about next week?

MS. MYERS: I don't have -- we'll continue to do a lot of work on the budget package. The President -- there's no plans to travel. But beyond that we don't have much that's locked in at this point.

Q Will he do more state interviews --

MS. MYERS: Yes, we'll continue to do state interviews and meetings with sort of opinion makers in various states.

Q Does he have any today?

MS. MYERS: He has -- assuming that the schedule holds together, California and Arizona and opinion leaders from Nebraska.

Q -- little bit -- position of the Clinton administration on Lebanon. -- to what extent is it correct or is it justified today that -- position taken by the regime in Tehran --

MS. MYERS: I'm sorry, I didn't understand the question.

Q My question -- is it justified given all that you know about, to say that all that you know about it to say that -- happened in Lebanon -- only one position taken by --

MS. MYERS: I don't think anyone's ever suggested that. I mean, it's clear that Iran is supplying Hezbollah with arms and Hezbollah has clearly been firing rockets into southern Israel. I mean, I think that those facts are fairly undisputed. But there are -- I would never say that a decision made in Tehran is the sole source. There are deep problems there that we're trying to address to the peace process.

Q It doesn't make much sense to -- civilians and on Israel to get it --

MS. MYERS: I think we've urged all the parties to stop the violence, to show restraint and to get on with the peace talks, which -- the only solution to the kinds of problems that lead to the kind of violence we're seeing there is some kind of a broader settlement which can be achieved through the peace talks. And we're eager to get them going again.

Q A budget question -- when the President was lobbying people on the House side to vote for the Btu tax, he told -- that he wouldn't abandon them. And then in the Senate you saw, well, he was going to fight for what he believed in in conference. Now the conference is coming up with something on the gas tax that is the Senate version. What happened to the President standing up for what he believes in and living up to his pledge to -- the House -- walk the plank --

MS. MYERS: He absolutely stood up for what he believed in, which is why we've got a package that will include somewhere in the neighborhood of \$500 billion in deficit reduction plus the investments plus the incentives. It is a good package. It will create jobs, and the President fought very hard for it.

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He supported an energy tax. One of the things that he said was that he wanted to see as little tax on the middle class as possible. Through the course of the process, both the House and Senate have identified additional spending cuts which made the need for a tax -- decreased the amount that was needed to meet some of his objectives. That's good. I think everybody agrees, including members of the House, that less tax is better.

Q So the President now agrees with that -- that the higher --

MS. MYERS: Oh, I think he's always --

Q That the broad-based energy tax that was once a principle of this program is now a good idea to get rid of?

MS. MYERS: No. No. That's not what I said. I said that we thought that the lower the tax, the better.

Q Didn't he oppose that -- didn't he oppose lowering that until this very minute really? That he wanted it larger?

MS. MYERS: I don't think that he took a position on it.

Q Wait a minute. What do you mean?

Q He asked for people on the House side --

MS. MYERS: On the --

Q He didn't take a position on it?

Q -- Btu tax.

MS. MYERS: Well, look, his position on this has been he supported a broad-based energy tax. This package includes an energy tax. It's not as broad-based as the one he originally proposed. We've conceded that from this platform innumerable times.

Q But it's better?

MS. MYERS: The overall package is better.

Q Because it -- but, wait a minute. You said the lower tax is better.

MS. MYERS: The lower tax is better. The lower -- I don't think that -- the Btu tax was better because it promoted conservation and was --

Q Well, which is better, the Btu tax or this?

MS. MYERS: The size of this tax is better because it's smaller. The Btu tax is better at promoting conservation --

Q If it was better, why didn't he propose it in the first place? (Laughter.)

Q Yeah.

MS. MYERS: He proposed the Btu tax because it continued to maintain that the Btu tax, he thought was a better tax in meeting his objective, which was to promote conservation and to hit all regions and parts of the country as fairly as possible.

The energy tax is -- the fuels tax, which is in this package, raises revenue, it hits regions of this country fairly evenly, it hits a number of different industries, as you know, within

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the transportation sector. The fact that it's a smaller tax -- something that the President thinks is good news. He thinks that additional spending cuts identified through this process have allowed the tax to be smaller, and that the smaller the bite on the middle class, the better.

Q Dee Dee, the issue was one --

Q Oh, I see, thank you.

MS. MYERS: I don't think that's hard to understand.

Q Dee Dee, the issue is one of politics and the President's promise to stand by House members who made a very difficult vote, even as members of the Senate were attempting to change the tax. What happened to that promise?

MS. MYERS: The President stood by members of the House. Over 100 House members participated in this conference process and reached an agreement, or are about to reach an agreement that meets the President's stated objectives, and I think it's a package that we can pass.

Q Am I to understand that the President said that the House caved?

MS. MYERS: This was something that was worked out in conference. This is a plan that meets the President's objectives. It meets the President's objectives, it was something worked out by House and Senate conferees. It's something that we think is a good package that will get the economy moving. It's something we think we can pass. We're going to fight like hell for the next week to get it done, but we think we can get it passed.

Q Are you saying that the President now prefers this energy tax to the one that he originally proposed?

MS. MYERS: No, I'm saying that the fact that the energy tax is smaller because of additional spending cuts is a good thing. I think that everybody agrees that the --

Q So the Congress has made the program better.

MS. MYERS: That's right. In many regards, the Congress has made -- this program has been improved through the process.

THE PRESS: Thank you.

END

2:25 P.M. EDT

#102-07/30

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CHW Sloan
Room 126 OEOS

THE WHITE HOUSE
Office of the Press Secretary

Release

July 29, 1993

PRESS BRIEFING
BY DEE DEE MYERS

The Briefing Room

3:22 P.M. EDT

MS. MYERS: Good afternoon. I have a brief statement from the President.

While I regret the continued filibuster of national service, I'm hopeful that additional Republicans will see passed politics to support this landmark legislation. National service will lift up our country and do us all honor.

I want to thank Senators Durenberger, Jeffords, and Chafee, along with 26 House Republicans, for putting service ahead of politics. I urge other Senate Republicans to follow their example and end this filibuster. The bill pending in the Senate reflects the concerns of both Democrats and Republicans. It has a limited authorization. It cuts bureaucracy and will energize our youth and reknit our communities. This legislation isn't Democrat or Republican, it's just American. And I hope that additional Republicans will soon agree.

Any questions?

Q Dee Dee, does the government have a response to the Israeli Supreme Court's decision on Demjanjuk?

MS. MYERS: No. I believe it's being reviewed at the State Department, and I'd have to refer you to them.

Q Well, the Justice Department apparently said something about still not wanting him back in the United States. Can you clarify that or expand on it?

MS. MYERS: I'll have to take the question. I know that the Justice Department also had something on it today, but I'm not sure what it is.

Q Can you clarify who is in charge or who is the point now on the Vince Foster investigation? Last night the Justice Department was saying no questions will be answered, all questions will be answered at the White House. This related to the note.

MS. MYERS: The Justice Department is still the point of contact for any investigating agencies. The Park Service, obviously, is still the agency conducting the investigation.

Q So nothing has changed?

MS. MYERS: Nothing has changed. Questions about the investigation would have to be referred to the Justice Department, I think. With reference to the note specifically and its discovery last night, we decided to go ahead and confirm it once it leaked, and I think they are referring calls about that particular incident to us.

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Q Well, about that then, is more going to be released on that? Is the contents of the note going to be released?

MS. MYERS: No. The Justice Department has said that in order -- because the investigation is ongoing, the contents ought not be released.

Q Can you characterize in any more specifics the items in this note? Did they relate to specific things at the White House? Is it nonbusiness? Is there any way --

MS. MYERS: No, it's work related, and I think it does sort of shed some light on his state of mind, assuming that this is authenticated. Beyond that, we can't really comment given that it is part of an ongoing investigation.

Q You mean the investigation -- they still are seeking the answer to whether he killed himself or not?

MS. MYERS: I think that they're in the process of an investigation that certainly looks at that question.

Q What is the investigation? What are they looking for?

MS. MYERS: Well, you have to ask them exactly where they are in the investigation and what they may be trying to find. They're doing an investigation, as they would, because Vince's body was found in a national park.

Q The President said yesterday when asked about this and about what he knew, he said, "I decided to watch a movie and Webb Hubbell was still hanging around here and I hadn't seen Vince in a while and I called him. I didn't -- unlike some other people who did know that he had been quite distressed, I was not really aware of that. But I knew I hadn't seen him in a while and I just kind of got lonesome." Now, according to the President, here he was with Webb Hubbell who had just spent the weekend with the guy, trying to lift his spirits because he was worried about him. Does the President mean to say that he spent this time with Webb Hubbell and he and Webb Hubbell are inviting this guy over for a movie and Hubbell had not advised the President that he was in distress?

MS. MYERS: Well, I certainly can't characterize Webb's weekend with Vince. I don't know enough about it. He -- and I think the President's comments in that regard speak for themselves. If other people knew about --

Q Does he mean to say that when he called him he didn't even then know that he'd been "quite distressed"?

MS. MYERS: That's what he said -- he didn't know --

Q Or he just learned that?

MS. MYERS: No, he didn't know.

Q He didn't know?

MS. MYERS: He did not know.

Q Webb Hubbell is there with him. Webb Hubbell spent the weekend with him --

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MS. MYERS: You have to ask -- I can't comment on what Webb Hubbell's impressions might have been based on their weekend together.

Q Is it you won't -- is it you dispute the idea that Webb Hubbell went to the shore with him for the purpose of lifting his spirits?

MS. MYERS: No -- I don't know what the reason is. I just can't characterize what was in Webb's head. I'm not --

Q We're talking here about intimates of the President of the United States.

MS. MYERS: I understand that. But I don't know exactly what Webb thought or what he told --

Q Well, can you find out and tell us please?

MS. MYERS: I know what the President's impression was; that, I can tell you. He did not have any reason at that point to believe that Vince was distraught.

Q On what basis are you telling us that this note was work-related? Have you read it, seen a transcript of it? Has it been characterized to you? Can you explain?

MS. MYERS: I know what the contents are. I've seen not the note itself, which was turned over to the Park Service police, but I am familiar with the contents.

Q Are you telling us there was nothing in it that related to anything other than work? There was no personal side to this -- to his writing?

MS. MYERS: The only thing I'll say that I can say about it is, I think it did show him to be in a distressed state of mind, a troubled state of mind per work. And beyond that, I really can't comment.

Q And not per anything else?

MS. MYERS: No, it was really work-related.

Q And what can you tell us about the antidepressant medication?

MS. MYERS: Nothing.

Q Had he taken any of it?

MS. MYERS: I don't know.

Q Do you know what it was?

MS. MYERS: No. I don't even know -- the only thing I know about that is what I read in The New York Times. I don't have it confirmed through another source.

Q Can you take the question of whether he was taking Prozac?

MS. MYERS: I really can't, because --

Q Why not?

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MS. MYERS: Because it's something -- it's with -- the family has chosen not to comment on that.

Q Did you ask the family?

MS. MYERS: I spoke to a representative of the family, and at this point they're just --

Q Is that Mack McLarty or somebody else?

MS. MYERS: No, somebody else.

Q An attorney?

MS. MYERS: Yes.

Q Dee Dee, when are the toxicology reports going to come out?

Q You're saying that it's the White House position you're not going to explain what kind of medication, whether you know that he had been taking any medication?

MS. MYERS: Right. I think what we said before is that we just weren't aware of it if he was, and again, the only information I have about that is what I read in The New York times this morning. I don't have any independent confirmation.

Q Well, was any medication found in his office?

MS. MYERS: No, nothing -- what we said before is nothing bearing on his death was found in his office.

Q But we were told that also, but the note --

MS. MYERS: That's true. But given --

Q Well, and the psychiatrist note.

MS. MYERS: But that wasn't found in his office.

Q Where was it found?

MS. MYERS: I don't know.

Q How do you know it wasn't?

Q That wasn't found in his office?

MS. MYERS: Because I know that it wasn't, but I don't know where it was found.

Q What wasn't found?

MS. MYERS: The scrap of paper or note, whatever it was, that had the names of three psychiatrists on it was not found in his office.

Q Was it found in the car?

Q Do you have any comment from Japanese --

Q Can we finish up?

MS. MYERS: No. The answer is no.

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Q Dee Dee, did you see the letter yourself? And if so, could you tell us -- did he seem to be shouldering more responsibility than he should have?

MS. MYERS: I am familiar with the contents of the note, but I cannot say any more than I've already said about what was in it.

Q Why can't you?

Q Did Vince, at any time, talk to Mack or to the President about leaving the administration?

MS. MYERS: No.

Q Did he give any indication that he was not happy in his job?

MS. MYERS: I think everybody has their ups and downs. I think everybody has their good days and their bad days. I don't know that he talked to anybody about quitting. I don't know that he did.

Q Do you know that he didn't?

MS. MYERS: I can't say that there isn't anybody in the building that he ever talked to about leaving. I haven't -- I don't think we've done an inquiry that would in any way make that certain. But I do not know of any plans if he had talked to anybody in any serious way about quitting.

Q If I could just follow up on Brit's question for just a moment. Does the President -- it now appears that a lot of people who knew Vince Foster knew that he was distressed, and the President apparently did not, or says he did not. Does the President feel that people, perhaps out of a desire to shelter him or out of fairly common thing that happens at the White House is to keep bad news away from the boss, that people did not inform him of what was going on with Vince Foster adequately? And does he have any feeling that he should have been informed and that he wasn't?

MS. MYERS: I don't know the answer to that. I think that the White House -- people who worked with Vince didn't have any reason to believe that he was distraught.

Q But they thought he was quite distressed.

MS. MYERS: I think people who work -- some people who work, particularly people who work closely --

Q Isn't that a little bit of a hair you're splitting there between quite distressed and distraught?

MS. MYERS: No, because -- well, I mean, everything looks different from this vantage point.

Q Sure, everything looks different in hindsight.

MS. MYERS: And I think what's happened in subsequent days and subsequent week or nine days since his death is that people have compared notes and tried to understand more completely for their own personal reasons the circumstances surrounding his death. But at the time, and even now I don't think anybody, looking back, can say, oh, we should have recognized that as a sign of something much greater. In hindsight, you can perhaps say that. But at the time, people go through their ups and downs here. What he was going through didn't seem to be anything outside of the normal sometimes

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difficult ups and downs of working here. Had anybody had any inkling of the trouble that he was in, we all would like to think that we would have done something about it.

Q Are people saying that? Are people regretting that they didn't recognize or notice things now that they now, in hindsight, think?

MS. MYERS: Hindsight always provides a much clearer perspective. I think there isn't a person in here who doesn't wish that they had known so they could have done something.

Q How many hours did the White House have the note before they turned it over to the Park Police?

MS. MYERS: The note was discovered Monday afternoon and turned over Tuesday evening, so a little over 24 --

Q So somewhere between 24 and 30 hours before you gave that evidence to the Park Police?

MS. MYERS: Yes. It was our judgment that the best thing to do was to make sure that the family had a chance to see it. Lisa Foster was coming to Washington on Tuesday for business unrelated to this letter and was given -- was informed about it when she got here. And the President, who was out of town on Monday, was also informed on Tuesday.

Q So your position on --

Q Did the President see the note?

MS. MYERS: He didn't see the note, but he was briefed as to the contents.

Q So your position on this was rather than turn over the evidence in an investigation that it was uncovered that you would wait however many hours or days it took to show the family first?

MS. MYERS: And then we promptly called the Justice Department.

Q Who uncovered the note?

MS. MYERS: Associate Counsel Steve Neuirth.

Q And who made the decision that it should not immediately be turned over to the investigating authorities?

MS. MYERS: I think the decision was made to inform the family, and I'm not sure who actually made the final decision.

Q Will you take that question please?

MS. MYERS: Sure.

Q So our impression, or the impression that the decision to inform the family first and to withhold it from the police until that was done, we're told was made by Mr. McLarty. Is that at odds with --

MS. MYERS: I just don't know who made the decision. I know how and when the note was discovered and some of the events thereafter, but I just don't -- I'll take the question.

Q Anything else --

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Q And there were questions of phone logs that the police raised that hadn't been turned over yet. Do you know whether or not the Counsel's Office has made available to the Park Police the phone calls of his -- that he made the day that he died?

MS. MYERS: No, and I'll take that question. I don't know whether we have an answer to that, since it's part of the ongoing investigation. But I'll --

Q Do you know if the White House has given the Park Police permission to talk to Mrs. Foster yet? As I understand it, they were informed that she was too distraught to be interviewed until after the funeral.

MS. MYERS: I don't know that to be true, but I'll take that as well. I don't know that the White House would have any control over that.

Q When the investigation is complete, who will be releasing the results of that investigation report? And, also, will the family have some type of veto power over what is released?

MS. MYERS: I think that since the Park Service police is conducting the investigation, they'll release the results consistent with the normal -- whatever they normally do. You have to contact them as to that.

Q We couldn't get it through Justice?

MS. MYERS: No, not necessarily. You'd have to check with the Park Service. The Park Service is conducting the investigation. We've only asked the Justice Department to serve as a point of contact in that investigation.

Q For who?

MS. MYERS: For the Park Service.

Q Wait a minute. So the Park Service goes to the Justice Department and the Justice Department then comes to the White House to request evidence? And the White House then consults the family?

MS. MYERS: To provide -- I'm not sure exactly how -- I believe that's true, that the lawyer for the family is in touch with the Justice Department and the Park Service is in touch with the Justice Department to answer questions like, "Is it appropriate to release the contents of the note?" And the answer we got back from the Justice Department, after consulting with the Park Service police, was "No." So that's an example of how the process works.

Q So the Justice Department made the call on releasing of the evidence?

MS. MYERS: The Justice Department in consultation with the Park Service Police, advised us, in fact, directed us not to release the contents of the note.

Q Who at Justice did that?

MS. MYERS: Well, Phil Heymann is the point person. But I believe --

Q The reason was --

MS. MYERS: The reason was that it was part of an ongoing investigation and their judgment was that it --

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Q I'm talking about releasing it to the Park Service.

MS. MYERS: No, no, no. Well, we contacted the Justice Department originally, who advised us --

Q When?

MS. MYERS: Tuesday. Tuesday after --

Q So you contacted Justice the day after you found it?

MS. MYERS: Correct. That's the point we just discussed.

Q I understand that, but what I didn't know was whether you contacted anybody or whether you had a consultation with the Justice Department before that.

MS. MYERS: We contacted the Justice Department on Tuesday who said to contact the Park Service police. The Justice Department came to the White House.

Q When you say they're a point of contact what that means is they're a point of contact for investigators, but they're not the first point of contact for the White House when it's deciding what to do with evidence it uncovers.

MS. MYERS: No, they were. We contacted them.

Q The day after.

MS. MYERS: The day after.

Q Why did you wait to contact the Justice Department?

MS. MYERS: Because we wanted to make sure that the family had been informed and the President had been informed.

Q That's the point, isn't it? The Justice Department is a secondary point of contact after you consult with the family and whoever else you deem you want to talk to.

MS. MYERS: No, I think the Justice Department is still the primary point of contact. That's the person we went to to seek advice about what to do with the document. And they said it ought to be turned over to the Park Service police, and so we did that.

Q When you say an ongoing investigation, which investigation are you referring to?

MS. MYERS: The Park Service police.

Q Can you take the question of whether Vince Foster was in New York City on February 10th?

MS. MYERS: Sure.

Q What was the question?

MS. MYERS: Was Vince Foster in New York City on February 10th?

Q Where was this note found?

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MS. MYERS: The note was found in the bottom of Vince's briefcase in his office as one of the Associate Counsel's was packing up some of his personal belongings to be turned over to the family.

Q And was the briefcase in that office when Park Police originally went through the office in search of any possible evidence that could shed some light on the death?

MS. MYERS: Yes, it was. And I don't think I should say a whole lot more about the circumstances since this is ongoing, but it was. It was torn into fairly small pieces of paper and at the bottom of the briefcase and I think was not immediately apparent.

Q Who put it together?

MS. MYERS: The Counsel's Office.

Q Can you just run through the chronology on the other note, the one with the list of the three psychiatrists? When was that found?

MS. MYERS: I don't know.

Q You still don't know?

MS. MYERS: No, it was -- I don't know what the Park Service is saying, if anything, about it. But it was not something that was discovered in his office and it's something that I don't know the specific details about --

Q -- that you waited a while before you told police -

MS. MYERS: We didn't have it. We never -- it was never here.

Q Has anything else turned up?

MS. MYERS: Not that I know of.

Q Let me just ask one other question on that. When was the first time that officials here knew of the existence of that?

MS. MYERS: What day was it? Today's Thursday. Tuesday night, late.

Q Dee Dee, coming back to Ann's question, if you had the note for more than 24 hours before turning it over to the authorities, is that not obstructing justice when there was an investigation going on?

MS. MYERS: I don't believe so. We took the note and informed the family and then turned it over to the proper authorities.

Q That's more than 24 hours. In an investigation 24 hours can be critical.

MS. MYERS: I don't think there's -- there's no criminal implications here.

Q Isn't that what the investigation is determining?

Q That's why there's an investigation.

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MS. MYERS: I think what we did was we informed the family about it, which we thought was appropriate, and then turned it over to the proper officials.

Q Tuesday night, your first knowledge of which note?

MS. MYERS: That was the time we were first informed about a note with, or a piece of paper with the names of three psychiatrists.

Q Tuesday night late?

MS. MYERS: Yes.

Q It was on the air Tuesday.

Q Who discovered that note?

MS. MYERS: But we didn't have any independent confirmation of that. All we had was NBC's report.

Q To what extent is the White House deciding for itself what evidence is appropriate to submit to the investigating authority? If Vince Foster had worked for any other organization except the White House, his office might have been sealed and all the contents gone over by the investigating authorities. And now, when things are found, it's being discussed whether or not and under what circumstances to be submitted.

MS. MYERS: No, whether or not was never an issue. It was something that we thought had a bearing on the situation and we turned it over. There was never a discussion about whether or not to turn it over.

Q Des Des, would you object to a release of that note at the appropriate time, or would you tell the authorities that that shouldn't be released?

MS. MYERS: No, I don't think we would object. I think in the context of the investigation we were told not to release it, but I think that if the investigating agencies thought that it was appropriate that --

Q Is there any reason it couldn't be released now? That would end a lot of the questions you're going to get.

MS. MYERS: Yes, I understand that, but, yes, the Justice Department advised us not to in the course of this investigation. Now, at some point they may say that it's okay, but at this point they're saying not to. And we think it's important.

Q Can you clear up the differences between what you told us on I think it was your Tuesday briefing that the President was among the people that knew that Foster was, quote, "having a rough time." and what the President said yesterday?

MS. MYERS: I tried, and I guess, failed to put that comment in the context of the work, that the President knew the Counsel's Office had had its ups and downs, like a lot of departments around here, that that was not unusual. But he had no reason to think that Vince was personally despondent or distressed or deeply troubled. He was shocked when it happened, and shocked to find out subsequently that people thought that he was, in fact, distressed, which was what he said yesterday. At the time, he didn't have any reason to believe that it was anything other than sort of routine ups and downs.

Q Dee Dee, will you take the question as to whether Webb Hubbell told him that Mr. Foster was in distress?

MS. MYERS: I know that he did not.

Q You know that he didn't?

MS. MYERS: I know that he did not. The President did not know when he called Vince --

Q With Hubbell at his side, correct?

MS. MYERS: Correct. I don't know if Hubbell was in the room, but he had talked to --

Q Hubbell did not -- can you clarify then whether it was Hubbell who urged him to invite Foster over?

MS. MYERS: He didn't. Nobody urged him to. I mean, it was -- Webb was there and they were going to watch a movie.

Q These three men are old and close friends. The President -- and Hubbell is an intimate of Mrs. Clinton and a friend of Mrs. Clinton and a friend of Foster. He was there with the President of the United States. He had just spent a weekend with him, he doesn't tell the President this.

MS. MYERS: The "this" is what is, I think, perhaps in question. I don't know what Webb thought coming out of that weekend with Vince. I haven't had a chance to speak to him about it, and I don't think that anybody here -- I don't think Webb has said exactly what he thought.

Q Are you disputing that Webb Hubbell -- that part of the purpose of that weekend at the shore was to lift Foster's spirits?

MS. MYERS: I'm simply saying I don't know and I can't comment on it. I don't know why they went. I think --

Q Might you see fit, in light of the fact that all of this revolves around intimates of the President of the United States to ask?

MS. MYERS: I mean, I can tell you that the President did not know --

Q You can understand why anyone with the knowledge of the facts as they've been reported here and mostly there would wonder.

MS. MYERS: I think it is appropriate to talk about the context of what happened at the White House, and we've tried to do that. I don't think that I'm in a position to know what Vince's friends and intimates outside of this environment thought or what was in their mind.

Q Dee Dee, you just said they're officials of this administration.

MS. MYERS: I understand that, but I just think that I can tell you what the President thought when he called Vince and I talked to him about that, and what the President -- why he called him and sort of what his understanding of the situation was. Hindsight puts this in a completely different light.

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Q We're not asking about hindsight, we're asking about what happened and when and who said what to whom beforehand.

MS. MYERS: Right, and what I can tell you about that is that Webb and the President were together, the President called Vince to invite him to the movies --

Q Just sort of out of the blue?

MS. MYERS: Yes, well, Webb and Vince and the President were friends, and it would not be unusual for two of them to contact the third, particularly because Hillary was out of town, I think, and he was having some people over for the movies, and as he said, he got lonesome for Vince and he called him up. But the President did not have any reason to believe that Vince was deeply troubled or depressed.

Q In light of that, and the difficulty you seem to be having in answering Brit's question, are there questions of liability here? Has Attorney Nussbaum, McLarty suggested at all, if there might be any questions of liability? We're trying to --

MS. MYERS: I don't think so.

Q It doesn't seem that there would be.

MS. MYERS: No one has suggested it in any way. It's -

Q At the same time, it stretches credibility to think that Webb and the President together would not discuss the weekend.

MS. MYERS: I think that the President and Vince discussed the weekend in some detail in their phone conversation. Hi, had a great time at the shore, how are you, it was fun, the sun was out. You know, they talked about the weekend. The President clearly knew that they had spent the weekend together. Once again, I don't know how to reconstruct events in a way that makes sense from the perspective of knowing what happened. But all I can tell you is what the President's recollections were at the time.

Q Dee Dee, what's striking about this is that it seems utterly credible to anyone that the President and everyone around him, even though they cared deeply about this man, would not have recognized that he was suicidal. That makes great sense. It's very hard to know these things. What seems less -- what's harder to believe is the idea that, under these circumstances, with Mr. Hubbell having just done what we believe him to have done, that the fact that the man was, as the President put it, in serious distress, would not have come to the President's attention. That's tough.

MS. MYERS: I think what the President -- again, all I can tell you is what the President knew at the time, that Counsel's Office was having its turn, as it were, and suffering some of the daily ups and downs of life in the White House. And I think the President was aware of that but he wasn't aware that it went beyond that. And it's difficult to reconstruct from this vantage point. I wish there was more that I could say.

Q This White House works seven days a week. Can you clarify whether or not you've checked with any of his staff to know if, in fact, the stories that he was not coming in on Saturdays and Sundays and so forth -- does that match with what was --

MS. MYERS: Does not match with what was reported today. I think a number of people here had meetings with him or were at a Fourth of July barbecue with him, for example, on weekends throughout the month.

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Q Was he working routinely on weekends, just like everybody else?

MS. MYERS: He had meetings in the White House, or was seen in the White House, I think every weekend day, was either at a party or in the White House with one exception. And I don't know what day it was, but --

Q Well, that would have been the weekend before, wouldn't it?

MS. MYERS: No, because we can account for his whereabouts every day, except one. This is for the month of July. So, in other words, he was in on both Saturday and Sunday for a meeting or in the middle of the day at some point was seen with somebody during that period.

Q Was that routine pattern prior to July?

MS. MYERS: He worked a lot of weekends. I didn't check back beyond that.

Q When this is all resolved, who will make the announcement? Will it be the Park Service, or will it be the White House, clearing through the Justice Department or with the family? I mean --

MS. MYERS: I don't know.

Q You don't know how it will be finally --

MS. MYERS: Yes. I don't know how it will be finally sort of reconciled, whether or not they'll turn something over to us with the caveat that we can do what we want with it, or whether they'll release something. I think we'll have to wait and see.

Q You've said a number of times that the President had no inkling when he called him on Monday night. What was said or done in that conversation that caused him to set up the meeting that was to be held on Wednesday that was never held? What made him -- he certainly wasn't still lonesome for him.

MS. MYERS: Right. No, they talked about a number of work-related issues, and I think Vince had some questions that he wanted to run by the President, some issues he wanted to discuss with him.

Q Related to the kinds of things that were on this list that were --

MS. MYERS: I don't want to speculate about that, but just issues generally regarding his work in the Counsel's Office, and the President said, why don't you come on in and see me on Wednesday, so they set up a meeting.

Q And Vince raised those issues with the President in that conversation?

MS. MYERS: Yes, they talked about a number of work-related things, as well as Vince's weekend.

Q Okay. Did the weekend contribute to the reason for the meeting on Wednesday as well --

MS. MYERS: No, no.

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Q Let me just take that a little further. Now, Lisa Foster and Donna McLarty had lunch on Tuesday, approximately the same time that Vince was leaving here to go off wherever he went that afternoon. And Hubbell and Vince met over the weekend. There were a couple of other prior discussions -- people -- there were any number of people talking around here. This is, I guess, revisiting the old horse, but there's an awful lot going on here for the President to have been totally oblivious to it all at the time. If Donna knew, certainly Mack knew. But that was too late for a phone call, but wouldn't she tell him? That's funny? I'm sorry, I didn't mean to make a joke.

MS. MYERS: No, I meant since you set the timing up at the beginning of the question -- first of all, I don't know what Donna and Lisa talked about on Tuesday, but it was Tuesday and I don't think she saw Mack again in time to tell him anything.

Q Until he got the call Tuesday night?

MS. MYERS: Yeah.

Q But remember there was a great deal of questions about --

MS. MYERS: Mack was here in the White House until -- soon when we found out because of Larry King --

Q But there was a great deal of questioning about whether -- Nussbaum kept saying where he was, but nobody thought his absence was meaningful. And if the discussion that Lisa Foster had with Donna McLarty at lunch on Tuesday meant anything and if it got to anybody, certainly that would have --

MS. MYERS: I just don't think she had -- I mean, I don't know what went through her head. I certainly can't surmise, but again, it was Tuesday. And by the following day it was too late.

Q Any other notes discovered or pieces of paper that could similarly reflect on the state of his mind?

MS. MYERS: Not yet that I'm aware of.

Q Have you asked if there are any other notes? I mean, -- through the last five days, we've had a series of, "Not to my knowledge," and, "Not that I'm aware of," until you've become aware of. Have you asked if there's any other notes or --

MS. MYERS: I don't think that's quite true.

Q Well, okay, well, you were asked if he was on any medication. Gearan was asked, McLarty was asked. "Not to our knowledge." "Not that we're aware of."

MS. MYERS: But that's -- that, I mean -- you have to understand. Why would we know? I don't -- I mean, the White House --

Q Because you may have asked these questions are logical questions because he was a public official.

MS. MYERS: Question was asked on Friday, and I think at the week and the weeks from here forth proceed, a lot of things are going to come to light that people weren't previously aware of.

When I say -- when I'm asked if he's taking any medication, and I say, "not that I'm aware of," that was our impression here at the White House at that point. We wouldn't necessarily be in a position to know. It's just not -- I mean,

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people who work with him are not necessarily in a position to know what his personal circumstances are, whether or not he talks to his physician.

Q I think the point is that the answers are sort of a pattern of the handling of a private death of a private individual; that is you're not aware of anything you don't ask about -- and my question is, has the privacy of Vince Foster and his family made you and others who speak for this administration unwilling to ask questions such as, was he seeing a psychiatrist -- of the family and of people who would know -- was he seeing a psychiatrist, was he taking medicine, did he leave a note, was he depressed?

MS. MYERS: The answer that I gave to that was I did ask a representative of the family and the family's choice was not to confirm or deny it. Now, that may change over the course of the next few days, but at this point that's all I can tell you.

Q You asked the family what, Dee Dee?

MS. MYERS: Whether he had been taking any medication. And I didn't confirm it. And they made some point and I, you know --

Q Do you feel obliged to go beyond that, to try to find out from anyone else, to find out from anyone else here in the White House to try to construct --

MS. MYERS: Well, there's an investigation ongoing to try to put back together some of these details. I don't -- and certainly we want to try to provide as much information as we can about this, particularly things that are relevant to his work. It's difficult because this isn't necessarily within our purview. We're not conducting an independent investigation. I think it is useful to know this. And to the degree that I can provide accurate information -- and others I know feel the same way -- to the degree that we can provide accurate information, we're trying to do that. It's obviously a very difficult time for people both personally and as we try to cooperate with the scope of this investigation without having the authority or the mechanism to go beyond what is discovered in this process. It's a difficult situation.

Q You just said that you asked at least a representative of the family about the drug question and that they told you -- they had declined to confirm or deny it --

MS. MYERS: Right.

Q -- to answer the question. But don't you think that when you answered that question by saying not to the best of my knowledge --

MS. MYERS: That was last Friday.

Q Okay, but you've been using those kind of answers all along. When you get those kind of answers, don't you think it creates an impression that the answer is no probably, or at least probably no and not -- is it misleading?

MS. MYERS: I think that it's a difficult situation. These are questions that I'm not in a position necessarily to take. And so I give you the best of my knowledge with the -- that's why I've been very -- tried to be very careful to characterize what it is we would be likely to know and what it is we might not know.

Q -- the point that some of us are trying to make is that we understand some of the concerns you're talking about that

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these sort of answers instead of addressing those concerns actually drag this story out and make it longer and actually hurt you all.

MS. MYERS: I'm painfully aware of that.

Q Do you think Bernie would be willing to brief us on what they know and what they are likely to know and what they will never know?

MS. MYERS: I think that's unlikely at this point.

Q Just to put this -- for all of our sakes.

MS. MYERS: But, see, the thing is Bernie -- I don't know that Bernie's in a position to know whether he was taking -- I know Bernie doesn't know whether or not he was taking drugs.

Q But you did say that nothing was -- no medication was found in his office --

MS. MYERS: Right.

Q -- or in his personal effects.

MS. MYERS: Well, I don't --

Q You can only speak for the office?

MS. MYERS: Right.

Q So it could be that things were found in the car or the briefcase that he had with him?

MS. MYERS: I don't think he had a briefcase with him. Just his wallet and his White House I.D.

Q Is the President going to make a broadcast this weekend?

Q Did he have two briefcases in the office?

MS. MYERS: I don't know. I only know of the one.

Q Is the President going to make a television broadcast?

MS. MYERS: I wouldn't rule it out. We've always said that's something we'd consider in the context of reconciliation.

Q Would that mean after you have --

MS. MYERS: The question was, is the President going to give an Oval Office address. And the answer was that I wouldn't rule it out. It's something that we've talked about in the context of this reconciliation process.

Q Has it been discussed with greater intensity in recent days and more likely? The question is Sunday --

MS. MYERS: We haven't made a final decision about it yet. It has been --

Q Would you characterize it as likely?

MS. MYERS: I would characterize it as fairly likely sometime, but not necessarily Sunday.

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Q Could it be Saturday?

MS. MYERS: As soon as we know we'll let you guys know. We really will.

Q If it would be this weekend and it's not Sunday --

MS. MYERS: Well, no, I didn't say it was this weekend. I didn't say it was this weekend.

Q Oh, you didn't? I'm sorry.

Q Can you give us your best guidance at this point about the President's vacation and how it fits into the visit with the Pope and Tulsa and maybe California?

MS. MYERS: For planning purposes only, it is not completely clear. (Laughter.) He will leave here -- now, with that caveat I'll tell you what I can. The time in question, ballpark, August 12th to August 29th, that two-week period is still what we're considering.

Q And some of that is not down time.

MS. MYERS: Some of it is not down time. It's actually -- isn't that a little more than two weeks? He's going to see the Pope on the 12th of August. He will go to Oklahoma City -- or Tulsa for the Governor's Conference. He will probably spend some time in Colorado. It is unclear whether or not he'll go to California, and he may spend some time in Arkansas. And as soon as we have better details than that --

Q -- on the 12th, is it to Arkansas?

MS. MYERS: The 12th would be to Denver. That's the Pope.

Q And from Denver -- can you just give us any kind of order?

MS. MYERS: It's not reliable yet.

Q Is it definite yet which day he's going to speak to the Governor's Conference? Because it was originally going to be Monday, but there was some talk about having it on the weekend instead. Is that fixed?

MS. MYERS: It's not fixed. It's not definite.

Q Did the President meet with the French Defense Minister this afternoon? Or did Anthony Lake?

MS. MYERS: I don't know. I'll take that question.

Q What about tomorrow?

Q Wait a second. Is he meeting with him?

MS. MYERS: What's on the plan?

Q Tony Lake?

MS. MYERS: Tony is -- tomorrow? Today.

Q It has happened, hasn't it? It's over, right, or is the guy still in there?

MS. MYERS: An announcement. Tony Lake met with the French Foreign Defense Minister, as opposed to Mr. Jupe.

Q Everybody would like to know why.

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MS. MYERS: Do you want to come up here and just give a little readout on that? Are you prepared to do that?

MR. STEINBERG: I'm not prepared to do that yet.

MS. MYERS: Okay. We'll post a readout.

MR. STEINBERG: The meeting may, in fact, still be taking place.

MS. MYERS: We'll post a readout on Mr. Lake's meeting with Mr. Leotard.

Q Any subject other than Bosnia on the agenda?

MR. STEINBERG: It was just a general discussion that was scheduled for a long time.

Q No. (Laughter.)

Q Tomorrow?

MS. MYERS: Tomorrow. Do you guys have the schedule for tomorrow? We have a seniors' event, right, somewhere in Maryland? I'll have to get back to you. I don't have the details.

Q In the morning?

MS. MYERS: No -- we don't have -- we have a schedule, I just don't have it in front me.

Q Dee Dee, on the budget, is Senator Feinstein trying to barter a vote on the budget with the White House for some big bucks favors for some powerful interests in California?

Q A simple yes will be fine. (Laughter.)

MS. MYERS: No, I think Senator Feinstein is interested in getting a good economic growth package that will benefit Californians.

Q Are you denying that there's been any horse-trading with her?

MS. MYERS: As you know or may not know, she met with the President on Sunday. They discussed a number of elements in the economic plan. I think that's part of the process.

Q But you're saying you're not aware of any extraneous things, concessions, that she was demanding and may have gotten?

MS. MYERS: I certainly wouldn't discuss that from this podium.

Q What are the weekend plans?

MS. MYERS: There was no -- last I checked they were both -- Saturday and Sunday were down days. Now, we may put something on Saturday and we'll let you know tomorrow.

Q Is there anything new on Bosnia?

Q -- referring this morning to some back-up plans if for instance, the enforcement mechanisms are considered extraneous and they have -- the Byrd rule. The deficit trust fund is another one of these issues. Empowerment zones is another issue. Would he treat those through an executive order, for instance, if the Byrd rule is invoked on those issues?

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MS. MYERS: I don't think we have final decisions on that yet.

Q Is it possible?

MS. MYERS: I'll have to get back to you on it. I don't want to characterize it.

Q No change in Bosnia?

MS. MYERS:

END

4:01 P.M. EDT

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MORE

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

July 29, 1993

REMARKS BY THE PRESIDENT
AT EARNED INCOME TAX CREDIT EVENT

Room 450, Old Executive Office Building

12:02 P.M. EDT

THE PRESIDENT: I don't want them to miss the vote. (Laughter.) This is what is known is an excused absence for the Congress. (Laughter.) I want to say a warm welcome and a word of thanks to the Risners, the Dorseys and the Dikemans -- all of them for coming here. They're not used to being public speakers, but I think they did a fine job, don't you? (Applause.)

I'd also like to say a special word to Mr. Dorsey. When I was a boy, I cut lawns for a living, too, and nobody ever gave me more than I charged. (Laughter.) You're either a better salesman, a better grass-cutter, or you had better customers. (Laughter.)

I am so glad to have these families here today because they emphasize that a pivotal part of this economic plan is increasing the earned income tax credit which, more than anything else we could do, will reward work and family and responsibility and make a major down payment on welfare reform.

You heard Robin make that point. There are so many Americans in this country who want to work, who want to be independent, who want to support themselves, and who find themselves in a position of not being able to make ends meet, not being able to cover basic costs. The earned income tax credit can help them do that. It is a terribly important part of this overall plan, which not only reduces the deficit by \$500 billion, but also does it in a fair way. Half of the reduction comes from budget cuts, of the rest -- four-fifths of the rest comes from taxes on the upper income people in this country, the upper six percent, one-fifth from taxes on families with incomes above \$30,000 and below for couples \$180,000.

But the most important thing of all to reward work is that this will be the first time in the history of our country when we'll be able to say that if you work 40 hours a week and you have children in your home, you will be lifted out of poverty. It is an elemental, powerful and profound principle. It is not liberal or conservative. It should belong to no party. It ought to become part of the American creed. It's not about more governmental or social workers, or more services. It's about more groceries and a car, more school clothes for the kids and more encouragement and hope to keep doing the right thing. These families have made it clearer than I ever could.

One of the things that I want to emphasize is that if we ever want to really restore the health of the American economy, it won't be enough just to bring down the budget deficit or just to have good economic policies. You have to find a way to tell people that if they work hard and play by the rules they'll be able to make it, they will be rewarded. The incentive system in America has worked against that for too long.

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You know, it's amazing to me how many American families still live in poverty. About 18 percent of the work force, nearly one in five families, have a worker and still do not reach the federal poverty line. There are 36 million, approximately, low income Americans; about 20 million of them live in a family that works -- with someone working at least part of the year; six million live in families where someone works all year round, full-time, and the family is still in poverty. And as I said, where there is a family of four, about one in five, or 18 percent, have insufficient incomes to lift them above the federal poverty line.

So in spite of all the pro-family rhetoric of our national government for years, our policies haven't worked. In fact, they've been going in the wrong direction. We need every American who can to work if we're going to compete and win in the global economy. And more than ever, we need strong families. This is, as you can see, not just a pro-work policy, it is a pro-family policy. We shouldn't make it harder to work and support a family. We ought to make it easier, and the people who do it should be lifted up as examples of the American ideal, not punished because they're trying to do the right thing. That's what the EITC does.

We ought to have two principles that operate in this country: People who can work should work; but if they do work, their families at home shouldn't be poor.

Today I also want to announce that the IRS will begin an aggressive outreach campaign to reach all Americans who are entitled to the credit. This will make it easier for them to receive benefits they have earned by working. It will also help us to educate them about the advantage of getting an advanced EITC, rather than having to wait an entire year.

All these folks figured out how to work the system. But there are a lot of people out there, just like them, who haven't and who deserve the same incentive for work and for family.

We know that this program works. We know it's a lifeline for semi-skilled workers who are working to improve their education and training. We want Robin to get home in time for the test, and we want her to make a good grade. And we want that, also, to be a symbol for all the people in this country who are struggling to do the same thing.

We know that the vast majority of all those who benefit from the EITC work very long hours for a very modest compensation in jobs that very often have inadequate benefits, either for themselves or for their children. These are just three of the millions of stories we might have heard today from a part of America we almost never see on the evening news.

Every time you see a crime story reported in a tough neighborhood, remember that most people in that neighborhood, no matter how tough it is, work for a living, do their best to raise children, never break the law and are struggling -- struggling against odds that are enormous to make it and to make the American Dream real for themselves and their children.

It is time we acted to support those people. In some ways, they may be the most heroic of all Americans today. If we really want to rebuild family life in America, if we want to recognize the realities that nearly everybody has to work to make ends meet, and more and more families have to have both parents working if they're in the home, even if they have four children and two of them are as young as those two youngest boys, we have got to say to those people: We are on your side. Your country is for you. You have done what all of the speech-makers talk about, and it's time the people who make the speeches had policies that reward you for

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doing what people have been pleading for Americans to do for years and years now.

That's why I think this is a critical part of this economic package. Make no mistake about it: If the people who favor the "no-new-anything approach," as The Wall Street Journal characterized the opponents of our plan, prevail, Americans will lose the pro-work, pro-family, pro-responsibility element of the earned income tax credits, the largest single expansion in an effort to help the working poor in over two decades.

We can't let this happen. This is just one more reason why we have got to act, and act now on this economic plan. This is not about numbers and digits and accountants' gimmicks; it's not about arguments about who perceives or feels what about this economic plan. This is about how the low interest rates, deficit reduction, the business incentives and, most important today, the earned income tax credit will affect the real lives of real people and help them to live and succeed in the way that we always speak as if we want them to be able to live and succeed. This is the real world. You met it today. I hope the Congress will make it possible in the next few days to have more families like this with more success stories. Thank you very much. (Applause.)

We can take a couple of questions.

Q Mr. President, what do you think is the chance of your budget getting through?

THE PRESIDENT: Good.

Q We understand it's in deep trouble in the Senate.

THE PRESIDENT: I think it's good. You have to listen not only to what's being said, but how it's being said. I think that -- you know, as more information gets out, it's just like I've always said -- rhetoric was our enemy and reality is our friend. There's a story in the Wall Street Journal today that once again Americans are hearing the facts instead of the rhetoric and the bad-mouthing and the negativism of our opponents and people are saying, let's give the President's plan a chance, and more likely to support members of Congress who support it than they are members who oppose it. They're beginning to learn again that over 70 percent of the taxes now fall on families with incomes above \$200,000, the top 1.2 percent of the population; and that this attack that the Republicans have used to try to convince ordinary Americans that they're being soaked, that there's no deficit reduction, is all a bunch of hokey. And I think we've got to get this out. So I'm feeling much better about it.

Q Mr. President, that same survey shows that despite all the time you've spent on the economy, more people give you high marks for foreign policy than for handling the economy. Why do you think that's the case?

THE PRESIDENT: Because they're still worried about their economic circumstances. And because they want results. And because the Congress hasn't passed the plan yet. We need to begin to do things. But if we pass the economic plan, if we move on the health care to welfare reform, deal with the crime bill, deal with the -- if the Senate will not filibuster the national service bill and open the doors of college education to all Americans, and give people a chance to -- (applause) -- serve their country, then people will believe that Washington will do better. Also, the ratings of the Congress will go up.

People want things -- (laughter) -- people want things done. This is not -- they didn't hire us to come up here and give speeches. We've tried the speechifying for a good long while; it

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didn't work very well. They want things to be done. I think the American people are very patient in terms of knowing we've been getting into economic trouble for 20 years and we followed a certain economic policy that I want to change for 12, and it's not going to turn around in six months or a year, that we've got a lot of effort to make. But they want to know that we're at least moving, that we're moving from talk to action.

And that's why I wanted these families to come here today, to point out that this really will affect people's lives. There was another article I saw in one of the papers this morning interviewing very small businesspeople who had been told on the talk shows and from other sources that they were about to get wanged by this plan, and all of a sudden now they've realized they're going to get their expensing provision doubled and over 90 percent of the small businesses in this country will have an opportunity to lower their tax burden if, but only if, they invest. I think that reality is creeping back in, and that's a healthy thing always.

Q Mr. President, the Pentagon says that U.S. naval aircraft have again bombed Iraqi missile sites. Could you update us and tell us what exactly is going on?

THE PRESIDENT: There is nothing out of the ordinary about what happened. It was not part of any new initiative. It was part of the old understandings under which our planes operate in that area and circumstances under which they respond.

Q Mr. President, another controversial aspect of your plan deals with entitlements. A few days ago, Congressman Tim Penny said that you're considering issuing an executive order to curb entitlements. My understanding is it would be modeled after the Stenholm entitlement budget provision in the House. Can you comment.

THE PRESIDENT: The Stenholm provision basically imposes discipline on our budget. It says that if we miss the deficit reduction target in any given year in any given category, whatever the category is, whether it's general expenditures, revenues or entitlements, that the President will have to come back in with a plan to meet the deficit reduction target, and the Congress must vote on it. They don't have to vote specifically for that, but they must vote for something. They have to vote on it.

In the rather arcane rules of the Senate, there is some question about whether that provision can go on this budget bill without triggering a filibuster and, therefore, requiring 60 percent to approve that provision.

Now, I believe every Republican senator is for the Stenholm amendment, in his or her heart. I believe that, because it is what they always say they want: spending discipline. And yet they are threatening to filibuster it. Why? Because it makes our bill stronger, because it's a real deficit reduction, because it undermines the ability to give speeches instead of doing something.

And so if they don't let the Stenholm provision go on the budget, then I will do my best to, by executive order or through a separate bill or through some other measure, to get as much of that discipline as I can. I think we should every year -- nobody, nobody running a business can foresee what's going to happen for five years.

The networks represented here can't do a five-year budget and estimate with absolute exactitude what their revenues are going to be and who will watch what and all that sort of stuff. And you ought to make corrections every year, and this is the first time the government's ever committed itself to that. I like it.

Q Mr. President, are you considering the use of war planes over Bosnia? Not just to protect U.N. peacekeeping forces,

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but also to keep the supply lines going and perhaps to stop some of the shelling in Sarajevo?

THE PRESIDENT: The best way for me to answer that today is to say that nothing has changed since I was asked that question and others yesterday. We're still waiting to hear from the U.N.. When we do, when we make a decision, then I will respond.
(Applause.)

END

12:17 P.M. EDT

MOPE

THE WHITE HOUSE

WASHINGTON

July 29, 1994

The Honorable Donald W. Riegle, Jr.
The Honorable Alfonse M. D'Amato
U.S. Senate Committee on Banking,
Housing and Urban Affairs
Washington, D.C. 20510-6075

Dear Chairman Riegle and Senator D'Amato:

Enclosed is a memorandum from Harold Ickes to Mrs. Clinton dated March 1, 1994 and attachments to that memorandum. This document was produced in redacted form to the Committee in response to your request for documents that relate to "communications between officials of the White House and the Department of the Treasury or the RTC relating to the Whitewater Development Corporation and the Madison Guaranty Savings and Loan Association." You have asked and we have agreed to go beyond the Committee's earlier request with respect to this document and provide you with a complete copy of the memorandum, including those portions previously redacted.

Sincerely,

A handwritten signature in dark ink, appearing to read "Lloyd N. Cutler". The signature is fluid and cursive, with the last name "Cutler" being more prominent.

Lloyd N. Cutler
Special Counsel to the President

M E M O R A N D U M

TO: The First Lady CONFIDENTIAL
FROM: Harold Ickes
DATE: 1 March 1994
RE: Resolution Trust Corporation

Attached is a copy of W. Neil Eggleston's 28 February 1994 memorandum to me regarding certain issues involving the RTC and the Rose Law Firm ("Rose"). Attached to that memo are copies of the FDIC report, dated 17 February 1994, concerning possible conflicts of interest regarding Rose's representation of the FDIC against Madison Guaranty, and the RTC's 8 February 1994 report concerning the same subject.

It is my understanding that shortly after Roger Altman met with Bernie Nussbaum, me and others concerning the RTC statute of limitations, he received an opinion from an ethics officer of the Treasury Department that he, as the acting head of RTC, did not have to recuse himself from matters involving Rose/Madison Guaranty. I will confirm this situation.

Please let me know if you want to discuss the attached.

THE WHITE HOUSE
WASHINGTON

(revised)

February 28, 1994

MEMORANDUM FOR HAROLD ICKES
DEPUTY CHIEF OF STAFF

FROM: W. NEIL EGGLESTON
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: WHITEWATER--FDIC AND RTC ROSE LAW FIRM ISSUES

The recent release of the FDIC and RTC reports addressing the possible conflict of interest of the Rose law firm in its representation of Madison Guaranty raises a number of issues.

What did the FDIC and RTC conclude, and why does it seem that their conclusions are inconsistent?

1. The FDIC Report.

The FDIC report was released on or about February 17, 1994. It was drafted by the Legal Division of the FDIC, and presented to FDIC Acting Chairman Hove, a Republican.

Frost & Co. was Madison Guaranty's accounting firm in 1984 and 1985. In that capacity, it prepared certain audited financial reports for Madison. The Rose firm used the 1985 audited financial statement in connection with its representation of Madison Guaranty before the Arkansas Securities Commission.

Madison Guaranty sued Frost & Co. in 1988 for the negligent preparation of financial statements. At the time, Madison was represented by the Gerrish firm. McDougal had been forced out of the management of Madison in the summer of 1986. When the FDIC took over Madison Guaranty in February 1989, it determined that the Gerrish firm had a conflict. In March 1989, the FDIC therefore replaced the Gerrish firm with the Rose law firm.

The FDIC report reviewed the time period in which the FDIC was responsible for the conservatorship of Madison Guaranty, from February 28, 1989 to August 9, 1989 (when the RTC was created and took over the conservatorship of failed savings and loans). The FDIC was thus the entity that retained the Rose law

firm to pursue the Frost & Co. litigation. The FDIC report reviewed relevant FDIC and RTC documents and interviewed participants, including FDIC and RTC employees and Rose law firm lawyers.

On the factual issue of whether the Rose law firm had disclosed to the FDIC its prior representation of Madison Guaranty, the FDIC concluded that the record was unclear. The report nevertheless concluded that no conflict existed between the Rose law firm's prior representation of Madison Guaranty and its representation of the FDIC in the Frost & Co. litigation. The report concluded that the firm's representation in 1985 was not "directly adverse" to the representation in 1989.

The FDIC based its conclusion on two grounds. First, it stated that there was no evidence that the firm had any involvement in the creation of the Frost & Co. audit report that became the subject of the 1989 litigation. Second, it stated "we have found no evidence that the Firm had a close relationship with the S&L which might call into question its independence." This was one of the sentences that Senator D'Amato attacked so bitterly at the Senate Banking Committee hearing.

On the issue of whether Mr. Hubbell had disclosed his relationship with his father-in-law, Seth Ward, who was then in litigation with Madison Guaranty, the FDIC stated that it was uncertain whether Mr. Hubbell had disclosed the relationship before the FDIC retained the Rose law firm. Nevertheless, the relationship was plainly known to the FDIC within three months of retention. Mr. Hubbell agreed to the creation of an internal firm "firewall" to guard against him receiving information that might be of use to his father-in-law. At the hearing, Senator Faircloth ridiculed what he called an "Arkansas firewall" through which he claimed light and heat could easily penetrate.

At the hearing, Chairman Hove testified that in 1989, FDIC standards required an actual conflict before the agency would bar a retention. Today, the FDIC's standards are much tougher and would bar a retention on the showing of an "appearance of a conflict of interest." Chairman Hove testified that under today's standards, the Rose law firm facts would present an appearance of a conflict.

Chairman Hove agreed to have the FDIC Inspector General ("IG") look into the conflict issue. It was somewhat unclear at the hearing whether the IG would look only at the process by which the FDIC arrived at its decision or would review the substantive issue. It was also unclear whether the IG would apply the actual conflict standard or the appearance of a conflict standard in its review. We should assume, however, that

the IG will adopt the broadest possible interpretation of its mandate.

2. The RTC Report.

The RTC report was released on February 25, 1994 by Senator D'Amato.

The RTC report differs in two major respects from the FDIC report. First, the RTC did not interview any Rose law firm attorneys. The RTC reviewed RTC records and interviewed RTC employees only. Second, the report is factual only. The report reached no conclusion on whether the Rose law firm had a conflict. As the report describes its scope, "This investigation focused only on whether or not Rose disclosed its previous representation of Madison to the FDIC and RTC."

The RTC concluded that Rose did not disclose either its prior representation of Madison Guaranty or Mr. Hubbell's relationship with Mr. Ward.¹ The report acknowledges, however, that within a few months of the retention, the supervisory FDIC attorney, Ms. Breslaw, was made aware of Mr. Hubbell's relationship with Mr. Ward. Ms. Breslaw determined that no conflict existed.

The RTC did not hire the Rose law firm; rather, the retention by the FDIC took place before the RTC was even in existence. Further, the RTC acknowledges in its report that it had no outside conflicts committee, nor regulations, guidance or policy on conflicts until after 1989.

The conclusion of the RTC report is that the matter was referred to the Office of the General Counsel (Ellen Kulka) for any action that it deems appropriate.²

¹ An ultimate finding that Rose had not disclosed either the prior representation of Madison Guaranty or the Ward relationship would be a finding that Mr. Hubbell was not truthful in his recollection. Mr. Hubbell told the FDIC when it was preparing its report that he advised FDIC attorneys about the prior Rose representation of Madison Guaranty and believes that he also advised the government attorneys about his relationship with Mr. Ward. Mr. Hubbell was not interviewed by the RTC attorneys during the preparation of their report.

² As noted above, the RTC report only addressed the factual issues of representation and disclosure. The report did not attempt to apply the facts to any applicable conflicts rules or regulations. It is not clear what the RTC General Counsel, Ms. Kulka, will do with the report. The RTC has an Outside Counsels' (continued...)

At the hearing, Mr. Altman agreed to refer the RTC report to the RTC IG for review.

What sanction could be imposed if the FDIC/RTC finds that the Rose law firm had a conflict of interest or an appearance of a conflict in handling the Frost & Co. litigation in 1989 and failed to disclose that conflict?

As noted above, it is not clear whether the FDIC or the RTC will review this matter under an actual conflict standard or an appearance of a conflict standard. It would seem that to impose any sanction, the IG would have to decide that the Rose firm violated a duty that was in existence at the time, not a duty that later became more strict.

The most severe sanction that would likely flow from a finding that the Rose law firm had a duty to disclose its prior representation of Madison Guaranty and its relationship with Mr. Ward and that it breached that duty would be that the Rose law firm would be permanently barred from any further work for the RTC or the FDIC (and possibly other banking regulators). Lesser sanctions imposed by the regulatory agencies might also be possible, such as a temporary bar.

Under the facts as we now understand them, it would seem quite unlikely that the RTC could bring a civil action against the Rose firm or any of its attorneys for failure to disclose the conflict. To prevail, the RTC would have to show fraud or intentional misconduct that caused substantial loss to the institution or unjust enrichment to the Rose firm. The RTC could only really show fraud or intentional misconduct if it could demonstrate that the Rose law firm "threw" the Frost & Co. litigation because of its prior representation of Madison Guaranty.

Criminal liability for the Rose firm would seem even more remote. To prevail, the Special Counsel would have to show that Rose acted with intent to defraud the savings and loan or wilfully made false statements to the FDIC/RTC through its failure to disclose the conflict.

What civil matters is the RTC investigating, who can it sue, and why didn't we hear anything about a civil investigation until late 1993?

²(...continued)

Conflicts Committee to which she could refer the report. She could presumably also refer the report with a recommendation to the RTC Acting CEO Jack Ryan for action.

The RTC is investigating whether it has a civil tort action against anyone who caused a loss to Madison Guaranty. This would include insiders such as James and Susan McDougal and members of the Board of Madison. It also includes professionals who provided service to Madison Guaranty, such as the Rose law firm, other law firms, and accounting firms. The Frost & Co. suit is an example of a suit against a professional service provider that caused loss to Madison Guaranty through a negligent audit. The RTC could also sue outsiders, including the President and Mrs. Clinton, if the RTC found that the outsiders worked with insiders illegally to divert assets of the savings and loan. For example, if the RTC believed that the Clinton campaign knowingly received diverted Madison assets at the April 1985 fundraiser or that the Clintons knowingly received other diverted Madison Guaranty assets through Whitewater, it could bring suit. The RTC commonly sues the recipient of a loan where it has information that the borrower knew that the loan was improper.

Under the legislation creating the RTC in 1989, the RTC as conservator of a failed savings and loan had to bring a tort claim within three years of the time the RTC (or FDIC as predecessor) took over the institution. The FDIC took over Madison Guaranty on February 28, 1989. Thus, all torts had to be brought by February 28, 1992. That day passed during the campaign.³

The Resolution Trust Corporation Completion Act, signed by the President on December 17, 1993, revived the possibility of a civil action. Under that legislation, a narrow class of torts--those that were fraudulent or involved intentional misconduct and that either caused substantial loss to the institution or unjust enrichment to the defendant--were revived. The statute extended the limitations period such that this category of tort could be brought within five years of the time the RTC took over the institution.⁴ Moreover, the statute specifically provided that the five year period would apply even if the three year limitations period had already run.⁵

³ I am unaware of any civil suits brought by the RTC prior to February 28, 1992, but I would not be surprised if it had sued McDougal and other insiders. McDougal was indicted in 1989 for bank fraud involving Madison Guaranty, and was acquitted in 1990. It would be fairly common for the RTC to pursue a civil action even after an acquittal.

⁴ Torts based on negligence are still covered by the three year statute of limitations.

⁵ The statute of limitations for crimes involving financial institutions is 10 years from the date the illegal conduct occurred, regardless of when the RTC took over the institution.

As a result, the RTC would not have been looking into a possible civil suit involving Madison Guaranty after February 1992 and before the passage of the statute last fall. In late 1993 and early 1994, Senator D'Amato and Rep. Leach recognized that the legislation had revived the possibility of an RTC lawsuit in the Madison matter. Both took to the floor of their respective chambers, aggressively urging the RTC to commence an action before the statute expired. In early 1994, the RTC--then faced with a statute of limitations that would run by the end of February--hired the San Francisco-based law firm of Pillsbury, Madison and Sutro to assist it in determining whether to bring any civil actions arising out of Madison.⁶

In February 1994, the statute of limitations was extended once again, through the life of the RTC, which is expected to expire on December 31, 1995.

Now that Mr. Altman as Acting CEO of the RTC has recused himself from further involvement in Madison Guaranty matters, who at the RTC will be the decision-maker on whether to bring a civil action arising out of the failure of Madison Guaranty?

Following his testimony before the Senate Banking Committee on Thursday, Mr. Altman recused himself as Acting CEO of the RTC from any further involvement in Madison Guaranty/Whitewater matters.

⁶ The partner at Pillsbury assigned to this matter is Jay Stephens, a Republican who was a member of the Reagan and Bush administrations. From 1981 to April 1986, Mr. Stephens was a political appointee at the Justice Department. By 1986, he had become Associate Deputy Attorney General. From April 1986 through March 1988, he was Deputy Counsel to the President. In that capacity, he had a role in the Iran/Contra Affair. After published reports that Oliver North had shredded documents, Mr. Stephens called Fawn Hall. When she denied (falsely) that any improper shredding had taken place, Mr. Stephens accepted her denial, and the White House issued a statement denying the shredding.

In March 1988, President Reagan appointed Mr. Stephens to be U.S. Attorney for the District of Columbia. When President Clinton sought the removal of all U.S. Attorneys in April 1993, Mr. Stephens called a press conference at which he suggested that the President was acting to frustrate the investigation of Rep. Rostenkowski. At the time, Senator Dole called for hearings into what he termed the "March massacre." Until January 1994, Mr. Stephens had been considering running for the Senate.

The top official at the RTC who will be making these decisions on Madison Guaranty is Jack Ryan. Mr. Ryan was formerly with the Office of Thrift Supervision. He is a career official. His principal advisor will be Ellen Kulka, now General Counsel of the RTC, who also came from OTS. Ms. Kulka is also a career official.

We intend to nominate a person for the position of CEO of the RTC within the next few weeks. We can anticipate that any person the President nominates will be pressured to recuse from any Madison-related matters. If the person refuses to recuse and is confirmed, then that person will become the decision maker. If that person is forced to recuse to achieve confirmation, then Jack Ryan would remain the decision-maker on Madison matters at the RTC.

W.N.E.

FDICFederal Deposit Insurance Corporation
Washington DC 20429

General Counsel

February 17, 1994

MEMORANDUM TO: Chairman Hove

FROM: Douglas H. Jones *Douglas H. Jones*
Acting General Counsel

SUBJECT: Report on the Retention of the Rose Law Firm

As you requested, we have reviewed the FDIC's 1989 retention of the Rose Law Firm with respect to Madison Guaranty Savings and Loan. Attached is a report on our review and findings. As you can see from the report, we found no basis to conclude that the retention involved a conflict of interest by the law firm. Accordingly, we are not recommending any sanctions against the firm.

Attachment

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February 17, 1994

**LEGAL DIVISION REPORT ON THE RETENTION OF THE ROSE LAW FIRM
FOR THE MADISON GUARANTY SAVINGS AND LOAN CONSERVATORSHIP**

The purpose of this report is to review the facts and circumstances surrounding the retention of the Rose Law Firm (the "Firm") for the representation of the conservatorship of Madison Guaranty Savings & Loan (the "Conservatorship" and the "S&L", respectively) in litigation against the Frost & Co. ("Frost") accounting firm. It explores (1) whether the Firm's prior representation of the S&L before the Arkansas Securities Commissioner constituted a conflict of interest; (2) whether the litigation against the Conservatorship by the father-in-law of the Firm partner in charge of the Frost litigation was a conflict of interest; and (3) whether any action against the Firm is warranted.

Assertions have been made that the Firm had conflicts of interest that should have prohibited it from representing the Conservatorship and the FDIC in the Frost litigation. We have reviewed the time period in which the FDIC was responsible for managing the Conservatorship (from February 28, 1989 through August 9, 1989, when the Resolution Trust Corporation was established) to determine the facts related to the Firm's retention. As a part of our review, we looked at all relevant internal FDIC and RTC materials from that time, reviewed relevant materials identified by the Firm, and interviewed each of the participants and others who were involved with the Conservatorship.

As detailed below, based on the information available to us, we have found no basis to conclude that under the then applicable rules either situation involved a conflict of interest. Accordingly, we recommend no sanctions against the Firm.

Background

On February 7, 1989, the FDIC entered into an agreement with the Federal Savings and Loan Insurance Corporation ("FSLIC") to act as agent for the FSLIC in any receivership or conservatorship appointed for an insured savings association after January 1, 1989. On February 28, 1989, FSLIC was appointed conservator for the Madison Guaranty Savings & Loan. Pursuant to the agreement with the FSLIC, the FDIC was appointed the managing agent for the Conservatorship. In that role, the FDIC was required to marshal the institution's assets and pursue all claims by and defend those against the S&L. Among the litigation existing at the S&L at that time was a suit against the institution's former auditor, Frost & Co. As managing agent, it was the FDIC's responsibility

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to determine whether that suit had any value and, if so, to continue the pursuit of the action. The FDIC's formal role ended on August 9, 1989, with the creation of the RTC, whose function was to serve as receiver or conservator for any S&L closed after January 1, 1989.¹

The Firm's Prior Representation

In 1985, the Firm represented the S&L before the Arkansas Securities Commissioner on two matters: a plan to issue a \$3 million private placement of preferred stock in the S&L, on which the Commissioner was asked to issue an opinion; and an application by which the S&L, assuming it raised the capital, sought to set up a service corporation that would become a wholly-owned broker dealer of securities. The opinion was issued on May 14, 1985 and the Commissioner approved the service corporation on September 20, 1985, although placing a condition on the approval that the S&L must raise the capital by December 31, 1985. The capital was never raised and the plan was not implemented. There were no communications between the Commissioner's staff and the Firm after 1985 with respect to the securities placement or the plan.

Part of the submission in support of these two applications was an audit of the financial statements of the S&L performed by Frost for calendar year 1984. Certain adjustments to these financial statements were questioned by the Commissioner's office. The records of the Commissioner's office show that the effect of those adjustments was explained in letters from Frost and John Lathan, the S&L's chief executive officer, attached to a letter from the Firm on July 25, 1985. There is no indication that the Firm retained the auditor, assisted in any way in the audit or took any position as to the quality of the audit.

In 1988, the S&L initiated litigation against Frost charging that the auditor had been negligent, reckless and breached its contract by failing to fairly represent the S&L's financial condition in the 1984 and 1985 audits. The S&L was represented in the litigation by the law firm of Gerrish and McCreary.

The Gerrish firm also was involved in defending directors and officers of failed banks in actions instituted by the FDIC. After FDIC was appointed managing agent of the Conservatorship, the FDIC staff attorney responsible for the Frost litigation concluded that, pursuant to FDIC policy, the firm had a conflict

¹The FDIC's Legal Division continued to provide legal support to the RTC with staff dedicated to RTC legal matters until September 1991, when all RTC legal matters were assumed by a newly created Legal Division within the RTC comprised of the FDIC staff formerly dedicated to RTC work.

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of interest with the FDIC and had to be replaced. The staff attorney also concluded that few firms in Arkansas had the experience and capacity to do accounting malpractice work, which is considered to be complex in nature. The staff attorney first considered the Arkansas law firm of Wright, Lindsey & Jennings, which had represented FDIC in other matters, but it too had a conflict of interest. The staff attorney then contacted the Rose firm based on previous work done by the Firm on behalf of the FDIC in connection with the Corning Bank failure.²

The staff attorney contacted a partner of the Firm (based on the staff attorney's recollection, probably Webster Hubbell) and asked the Firm to take over representation. The staff attorney is sure the Firm would have been asked about any conflicts of interest, but due to the passage of time has no specific recollection of making that request or any response that may have been made. Richard Donovan, a partner with the Firm who worked on the case, states that he recalls Mr. Hubbell having advised the staff attorney of prior representation of the S&L on a matter involving the Arkansas Securities Commissioner. Mr. Hubbell's recollection differs. He recalls advising the staff attorney very generally that the Firm had done a small amount of work for the S&L years earlier, but that he did not view that as amounting to a conflict. He believes the work he was aware of was lending and collection work. He says he does not believe he was aware of the earlier securities work at that time, so he does not believe he discussed it with the staff attorney then. The FDIC staff attorney has no recollection of the issue being raised and says that if it had been it would have been discussed with the attorney's supervisor. The supervisor has no recollection of the issue being raised.

² While the Firm had sent a letter to the FDIC dated February 28, 1989, soliciting work relating to any S&L failures, it does not appear the staff attorney was aware of that letter or that it influenced her decision to ask the Firm to represent the FDIC. Also, assertions have been made that the letter may have been deceptive and misled the FDIC regarding prior representation because it stated "the Firm does not represent any savings and loan association in state or federal regulatory matters." However, the letter also states "[f]rom time to time we have provided specialized service to some savings and loan associations in such areas as employment discrimination, work-out of participation loans and bankruptcy." The firm also acknowledged in the letter that there may be individual transactions or situations where a conflict of interest could arise.

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The Existence of a Suit Involving Mr. Hubbell's Family

At the time the conservator was appointed (and when the Firm was retained), Mr. Hubbell's father-in-law, Seth Ward, Sr., was involved in litigation with the S&L. Mr. Hubbell's father-in-law had obtained a judgment of roughly \$470,000 for commissions allegedly owed him by the S&L for the sale of real estate on behalf of Madison Financial Corporation, a subsidiary of the S&L. That case was then on appeal.

Mr. Hubbell says he was aware of the Ward litigation but he did not view it as a conflict. He says he believes he did advise the staff attorney about it, but he cannot be certain. The staff attorney does not recall whether the Ward relationship was raised at the time of the Firm's retention in March of 1989. However, another FDIC staff attorney became aware of the relationship and informed the staff attorney on the case, in a letter dated June 8, 1989. At that time, the second staff attorney expressed concern that Mr. Hubbell would have access to information through his representation that could be damaging to the litigation involving Mr. Ward. After reviewing the facts, the staff attorney responsible for the Expat litigation concluded that the facts did not pose a conflict. On June 23, 1989, the staff attorney wrote to the FDIC's Managing Agent for the Conservatorship concerning the Hubbell/Ward relationship, stating that Mr. Hubbell had not represented Mr. Ward in the past and he would not do so in the future.³ Mr. Hubbell then sent a letter to the FDIC Managing Agent, dated June 28, 1989, in which he affirmed that he had not and would not in the future represent Mr. Ward in the dispute with the S&L.⁴ Mr. Hubbell also confirmed in an interview that he had not drafted any documents that were involved in the Ward litigation.

³ The staff attorney's letter also noted that the primary attorney in the case was Richard Donovan, not Mr. Hubbell, and stated that Mr. Hubbell was involved only in an indirect way. Based on discussions with the staff attorney, this was meant to indicate that Mr. Donovan, as the junior partner on the case, would do most of the day-to-day work. Based on fee bills for the case, Mr. Hubbell performed a significant amount of work.

⁴ The issue was raised again after Mr. Hubbell's letter when an FDIC credit specialist sent a memorandum to his supervisor expressing concern about the relationship and seeking senior level review of the situation. This memorandum also was called to the attention of the FDIC's Regional Counsel indicating that this should be "a Washington issue" because the staff attorney responsible for the Expat litigation was based in Washington, D.C. No further action appears to have resulted from these subsequent memoranda.

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As an added precaution, according to Mr. Hubbell, Mr. Donovan and Gary Speed, another partner at the Firm who worked on the Frost case, the Firm imposed an informal, unwritten procedure in connection with the Frost litigation that kept Mr. Hubbell from having access to information about his father-in-law. According to Messrs. Donovan and Hubbell, Mr. Hubbell was not allowed access to material such as an investigative report done by the S&L's prior attorneys, and he was kept out of several depositions when information concerning Mr. Ward's loans was expected to be involved. Mr. Speed states that Mr. Hubbell would leave the room if Mr. Ward's name came up during discussions, and that he and Mr. Donovan would not discuss Mr. Ward in the presence of Mr. Hubbell.

Analysis

Criteria for Determining Whether a Conflict Exists

The standards governing the professional conduct of attorneys, including issues relating to actual and potential conflicts of interest, are set forth in codes or rules of professional responsibility and conduct adopted by the various states. Many states have adopted, or have patterned their rules on, the American Bar Association's Model Rules of Professional Conduct ("the Model Rules"). Arkansas adopted the Model Rules as its rules of conduct for attorneys in 1985. The Model Rules generally prohibit an attorney from representing a client where the attorney also represents or previously represented another client whose interests are adverse to the first client. The Model Rules provide that a client may waive a conflict of interest by consenting to the representation after consultation with the attorney and provided the attorney reasonably believes the representation will not adversely affect the relationship with the other client. MODEL RULES OF PROFESSIONAL CONDUCT Rule 1.7. Under the Model Rules, and all the state rules of which we are aware, it is the attorney, not the client, who has the primary responsibility to identify conflicts of interest when approached with a request to represent a client with respect to a new matter.⁵

⁵ Notwithstanding that the responsibility to identify any potential conflicts rests principally with the attorney, in 1990 the FDIC Legal Division adopted comprehensive policies and procedures governing the retention of law firms and the waiver of actual or potential conflicts of interest. In 1989, the FDIC's conflicts procedures, however, were less formal. Prior to their retention, firms generally were required to respond to a series of questions regarding past and current representations. Unfortunately, in early 1989, due to the tremendous increase in workload as a result of the FDIC's added FSILC responsibilities,

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The relevant provisions under the Arkansas rules of professional conduct provide that:

"A lawyer shall not represent a client if the representation of that client will be directly adverse to another client, unless: (1) the lawyer reasonably believes the representation will not adversely affect the relationship with the other client; and (2) each client consents after consultation"; and

"A lawyer shall not represent a client if the representation of that client may be materially limited by the lawyer's responsibilities to another client or to a third person, or by the lawyer's own interests, unless: (1) the lawyer reasonably believes the representation will not be adversely affected; and (2) the client consents after consultation."

The Firm's Prior Representation

The information regarding whether the Firm disclosed that it had represented the S&L on the prior securities matter is unclear. The more important question, however, is whether a conflict of interest existed that should have been disclosed before the firm agreed to represent the conservator.

In essence, the Firm represented the S&L's interests before the Securities Commissioner in 1985 and it was representing the S&L's interests (on behalf of the S&L's conservator) in 1989. Previous representation of an institution by itself does not create a conflict when a subsequent conservator is appointed for the institution. There is no indication in the records, or based on our review, that the Firm did anything more with respect to the audit in question than take it at face value in its representation in 1985. There did not appear to be any divergence of interest between their representation in 1985 and 1989. As a consequence, the Firm's representation in 1985 was not "directly adverse" to its representation of the Conservatorship in 1989.

In addition, we have found no evidence that the Firm had a close relationship with the S&L which might call into question its independence. The Firm did not serve as general counsel or exclusive or frequent counsel for the S&L. In addition, no member of the Firm served in any senior managerial or directorial

such inquiries were not always documented. In this instance, there are no documents showing what inquiry was made of the Firm.

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relationship with the S&L prior to its failure.

Under the Model Rules, disclosure of prior representation such as involved here may not be required. However, where a firm is aware of such a prior relationship, we would expect it to convey that information to our staff to assist in determining whether to retain the firm. It is not clear whether the information was conveyed to the FDIC staff at the time. However, based on our review, we do not believe the prior representation represented a conflict of interest.

The Existence of a Suit Involving Mr. Hubbell's Family

It is uncertain whether the Hubbell/Ward relationship was disclosed at the time of retention. Nevertheless, it was clearly discussed within three months after retention and the staff attorney concluded there was no conflict. That assessment appears to be correct.

Mr. Hubbell had not represented Mr. Ward so there was no conflict of representation directly adverse to the Conservatorship. Also, Mr. Hubbell's representation of the FDIC did not appear to have any effect on Mr. Ward. Under Arkansas rules, unless Mr. Hubbell's representation of the Conservatorship would be "materially limited" by his "responsibilities to" his father-in-law or his own personal interests, no disclosure was required. Also, FDIC procedures, at that time, would not have required the disclosure of the relationship.

While concern was expressed by some FDIC staff shortly after the Firm's retention that Mr. Hubbell would have access to information that could benefit his father-in-law, there is no indication any such information was transferred. Moreover, Arkansas rules of professional conduct (as do all State rules of conduct) prohibit an attorney from revealing information relating to representation of a client, unless the client consents after consultation. As a precaution, the firm apparently imposed its own informal "firewall" to prevent information regarding Mr. Ward from being passed on to Mr. Hubbell. Also, the FDIC's procedures at that time did not require disclosure of a relationship such as existed with respect to Mr. Hubbell and his father-in-law.

Therefore, no actual conflict appears to have existed. While in this case it is unclear whether advance disclosure was made and there was no requirement that Mr. Hubbell's relationship be disclosed, we want to emphasize that on an issue as subjective as this, we believe the better course would have been for the attorney to make clear and full disclosure in writing to the FDIC and let the FDIC as client determine whether in its judgment the representation at issue was likely to affect its interests.

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adversely.⁶ Nevertheless, that was not specifically required at the time and, when disclosure was made, the FDIC determined the representation was not adverse.

Conclusion

In 1989, the Legal Division lacked formal procedures regarding the determination of conflicts of interest and, at the same time, the Division's staff was experiencing an enormous increase in workload due to the rapidly expanding duties of the FDIC. As a consequence, in hindsight documentation regarding the retention of the Firm is more limited than would be ideally hoped for. However, based on our review, we have found no basis to determine that either of the alleged instances involved a conflict of interest.

Therefore, we see no basis to recommend any sanctions against the Firm.

⁶ In 1990, the FDIC adopted formal procedures to deal with conflicts which emphasized that waivers must be sought even where there is only the "appearance" of a conflict. Also, in 1990, the Supreme Court of Arkansas recognized that although the "appearance of impropriety" is no longer specifically a part of the state's rules of professional conduct the principle is still a part of the rules. First American Carriers, Inc. v. Kroger Co., 302 Ark. 86, 787 S.W.2d 669 (1990).



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INQUIRIES AND INVESTIGATIONS BRANCH

**ROSE LAW FIRM
RTC/OCOS - T94002-WA**

February 8, 1994

ROSE LAW FIRM
OCOS FILE NUMBER: T94002-WA

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**ROSE LAW FIRM
OCOS FILE NUMBER: T94002-WA**

I. BACKGROUND:

This investigation was initiated based on accounts in The Washington Times and The Washington Post concerning a possible conflict of interest involving the Rose Law Firm (Rose), Little Rock, Arkansas.

Alleged Conflict:

1. In 1984 and 1985, Rose represented Madison Guaranty Savings and Loan Association (Madison) before the Arkansas Securities Commissioner. In its representation of Madison, the law firm presented and relied upon an audit report issued by Frost & Company (Frost) on Madison. The law firm represented Madison in its attempt to obtain authorization from the Commissioner to issue a class of preferred stock and to engage in brokerage activities.

2. In 1989, after the failure of Madison, the Federal Deposit Insurance Corporation (FDIC) hired Rose to sue Frost for accounting malpractice in auditing the Madison books in 1984 and 1985. The Frost audit was the same one previously used by Rose in making a case for Madison before the Arkansas Securities Commissioner in 1985.

Scope of the Investigation: This investigation focused only on whether or not Rose disclosed its previous representation of Madison to the FDIC and RTC. Interviews of current or former Rose Law Firm attorneys who may be knowledgeable of this matter were not conducted.

II. ROSE LAW FIRM'S REPRESENTATION OF MADISON SAVINGS & LOAN:

Charles F. Handley, Financial Examiner Supervisor, Arkansas Securities Department, provided documentation that established that Rose did represent Madison before the Department during 1984 and 1985:

1. Attachment 1 is a copy of a letter from the law firm, dated April 30, 1985, to Mr. Handley. The letter identified Hillary Rodham Clinton or Richard Massey as the firm point of contact for further information.

2. Attachment 2 is a copy of a handwritten memorandum dated May 6, 1985, addressed to "Brady." The unknown author of the memorandum instructed "Brady" to "please review and draft response to Hillary."

3. Attachment 3 is a copy of an office routing slip, dated May 6, 1985, from "Charles" referring to an April 30, 1985

Rose Law Firm
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2. Ms. Breslaw stated that the lawsuit filed by Rose on behalf of the FDIC (and subsequently the RTC) and Madison centered on the fact that Frost, during their 1984-1985 audit, failed to detect that Madison was insolvent (Attachment 10).

3. Ms. Breslaw stated that the case was settled in 1991 for \$1,025,000 (Attachment 10).

4. Ms. Breslaw provided several of the law firm's billings to FDIC/RTC for its representation in the matter of FDIC/RTC v. Frost & Company and Madison Guaranty Savings and Loan Association (Attachment 11).

5. Further, Ms. Breslaw obtained written confirmation from Rose that the firm billed the FDIC/RTC for a total of \$400,879.55 in the matter FDIC/RTC v. Frost & Company and Madison Guaranty Savings and Loan Association (Attachment 12).

6. In addition to Madison, Rose represented and continues to represent the RTC in legal matters involving institutions other than Madison (Attachment 13).

SUMMARY: Rose represented the FDIC and the RTC. In one particular matter, the firm pursued a malpractice suit against Frost for negligence in determining the true financial condition of the Madison during its audit of the institution.

IV. POSSIBLE CONFLICTS:

A. Frost Matter: Rose represented Madison before the Arkansas Securities Department. That representation involved S&L's attempts to obtain authorization to issue preferred stock and to engage in brokerage services. The firm utilized the Frost audit of Madison's condition to support the request for authorization.

1. Later, Rose was retained by the FDIC (and subsequently the RTC) to pursue an accountant malpractice suit against Frost. The particular issue of the suit was the defective audit which failed to detect that Madison was insolvent.

B. Ward Matters:

1. In 1989, all files pertaining to the accountant malpractice suit filed against Frost and Company were delivered to Rose, specifically Webb Hubbell, a staff attorney (Attachment 14).

2. Mr. Hubbell is the son-in-law of Seth Ward, a Madison "insider", who obtained a judgment against Madison f

Rose Law Firm
Page 4

approximately \$477,000 in 1989. Mr. Hubbell was present at the trial of the Seth Ward matter and appeared to have been an interested (indirectly) participant in the Ward proceedings (Attachment 15).

3. The judgement was appealed by the FDIC. Sue Strayhorn, FDIC Litigation Coordinator for Madison, advised that if a new trial was granted, information contained in the Frost audit files (of which Mr. Hubbell had knowledge) could be damaging to the FDIC case against Mr. Hubbell's father-in-law. Ms. Strayhorn brought this to the attention of Paul Jeddloch, FDIC Staff Attorney, in order to make him aware of the situation (Attachment 15).

4. This possible conflict was also raised by Ken Schneck, Madison's Credit Specialist. In addition to the Seth Ward matter, Mr. Schneck also stated that Mr. Hubbell's brother-in-law, Seth Ward II, had also filed suit against Madison. Mr. Schneck stated that during the course of the Frost suit, the practices and procedures used in Madison's day-to-day operation would surely be examined. As such, Mr. Hubbell would be privy to this detailed information. Mr. Schneck suggested that it would be naive to think none of this information would be revealed to Mr. Hubbell's family (Attachment 16).

5. Ms. Breslaw responded to the concerns of Mr. Jeddloch, Ms. Strayhorn, and Mr. Schneck. On June 23, 1989 in a letter to David Paulson, Managing Agent, Madison, she found nothing to warrant taking the Frost matter away from Rose (Attachment 17).

SUMMARY: Based on the information obtained to date, none of the above two matters were disclosed by Rose. (See Section below for further disclosure discussion.) The matter involving Seth Ward was brought to the attention of the staff attorney at Madison, April Breslaw, by FDIC attorneys. Ms. Breslaw subsequently determined that no conflict existed. It should be noted that at this time, 1989, there was no Outside Conflicts Committee and there were no regulations, policy, or guidance concerning conflict matters. The process, according to Ms. Breslaw, was informal and situations were handled as they came to the attention of the staff attorney who handled that particular institution.

V. DISCLOSURES MADE BY THE ROSE LAW FIRM:

A. On October 3, 1990, Mr. Hubbell executed a Legal Services Agreement on behalf of Rose with the FDIC. Mr. Hubbell certified that, as part of its agreement with the FDIC, the firm would update any conflicts information in its annual report.

Rose Law Firm
Page 3

the FDIC. No disclosures were made by Rose at this time (Attachment 18).

B. On August 24, 1992, Mr. Hubbell, in a letter to the RTC provided detailed information on Rose. Mr. Hubbell stated that the firm's prior representation of the FDIC/RTC included Madison Guaranty Savings & Loan. No disclosure was made that the firm represented Madison prior to FDIC/RTC involvement.

1. In his letter, Mr. Hubbell disclosed an unrelated conflict involving a former member's alleged conflict of interest in acting as both borrower and attorney in connection with his personal credit arrangements at FirstSouth. The claim was subsequently settled and the member withdrew from the firm in March 1988.

2. Attached to Mr. Hubbell's letter was an RTC Fitness and Integrity Certification which fully disclosed details of the conflict involving the former member of the firm (Attachment 19).

C. On December 1, 1992, Mr. Hubbell executed a Legal Services Agreement with the RTC and stated the firm had no conflicts of interest with the RTC or FDIC (Attachment 20).

D. Ms. Breslaw, formerly FDIC and currently with the RTC advised that she has no recollection that the Rose Law Firm verbally disclosed to her its prior representation of Madison. Ms. Breslaw further stated she had no documentation regarding conversation wherein Mr. Hubbell told her about the firm's prior representation of Madison (Attachment 21).

SUMMARY: Rose disclosed one conflict of interest which is unrelated to the Frost or Ward matters. No documentation was found regarding a disclosure of either the Frost or the Ward matters.

VI. SUMMARY:

A. Rose represented Madison prior to its failure. In one particular matter, the firm represented Madison before the Arkansas Securities Department in the S&L's attempt to obtain authorization to issue stock and engage in brokerage activities. The firm's representation relied upon the Frost audit report.

B. Rose represented the FDIC/RTC subsequent to the failure of Madison. In one particular matter, the firm was retained to pursue an accountant malpractice suit against Frost for failure to detect the insolvency of Madison.

C. Rose did not disclose its representation of Madison before the Arkansas Securities Department to the FDIC/RTC.

**Rose Law Firm
Page 2**

letter from the firm setting forth Madison's plan to issue preferred stock and a legal opinion that Madison could issue such stock. The author expressed doubt that Madison could enter into such a business practice.

4. Attachment 4 is a letter, dated May 14, 1985, from Beverly Bassett, Savings and Loan Supervisor, to Ms. Clinton, relevant to the authorization and issuance of a class of preferred stock by Madison. Ms. Bassett's letter stated she agreed with Ms. Clinton's conclusion that Arkansas law expressly gave state chartered associations the power to authorize and issue preferred stock.

5. Attachment 5 is a letter, dated July 10, 1985, from Mr. Massey, Rose, to various officials of the Arkansas Securities Commission, relevant to Madison's application to engage in brokerage activities. Mr. Massey stated in his letter that either he or Ms. Clinton could be contacted if there were any questions.

6. Attachment 6 is a memorandum, dated July 17, 1985, from Mr. Handley to Ms. Bassett and Nancy Jones regarding Madison's application to form a second-tier, wholly-owned service corporation, to engage in securities broker-dealer business. Mr. Handley expressed his concern about adjustments made to Madison's net worth by Madison's accountants in the December 1, 1984 audited financial statement.

7. Attachment 7 is a letter, dated July 25, 1985, from Mr. Massey to various officials of the Arkansas Savings & Loan Supervisory Board, relevant to Madison's application to engage in brokerage activities. The letter essentially disagreed with Mr. Handley's previous letter of July 17, 1985.

SUMMARY: Rose did represent Madison prior to the failure of the savings and loan.

III. ROSE LAW FIRM REPRESENTATION OF THE FDIC/RTC:

A. April A. Breslaw, Attorney, Professional Liability Section, RTC, Washington, D.C., provided information and documentation to support that Rose did represent the FDIC/RTC Madison against Frost.

1. In 1988, Madison filed an accounting malpractice lawsuit against Frost. In 1989, Madison went into conservatorship. At that time, Ms. Breslaw, Attorney, FDIC Directors and Officers Liability Section, replaced Madison's counsel with Rose. The law firm was retained to continue pursuing the accountant malpractice suit against Frost (Attachments 8 and 9).

Rose Law Firm
Page 6 -

Further, it did not report possible conflicts involving the brother-in-law and father-in-law of Webb Hubbell, staff attorney at Rose. Both Seth Ward and Seth Ward, II, had filed suits against Madison. The FDIC became aware of this matter, but Ms. Breslaw, the FDIC attorney assigned to the Madison matters, determined that a conflict did not exist.

D. Ms. Breslaw, who was subsequently assigned to the RTC, did retain Rose in 1989 to represent the FDIC/RTC at Madison. Ms. Breslaw did not recall anyone at the firm telling her that the firm had previously represented Madison. No documentation was found which reflected that the firm had disclosed the representation.

E. A F&I Certification and Legal Service Agreements were reviewed and disclosed the firm did not disclose the Frost and Ward matters.

VII. DISPOSITION OF THIS REPORT:

A. This report is provided to the Office of the General Counsel for any action it deems appropriate.

B. This investigation was coordinated with the FDIC, who conducted a separate, independent investigation of these same matters. The FDIC investigating attorney is John Downing.

Attachments

ATTACHMENTS

1. Letter, dated April 30, 1985, from Rose to the Arkansas Securities Department.
2. Handwritten note, dated May 6, 1985, regarding Rose.
3. Handwritten note, dated May 6, 1985, regarding a letter from Rose concerning the Madison plan.
4. Letter, dated May 14, 1985, regarding issuance of preferred stock by Madison.
5. Letter, dated July 10, 1985, regarding Madison's application to engage in brokerage activities.
6. Memorandum, dated July 17, 1985, regarding the application submitted by Madison.
7. Letter, dated July 25, 1985, regarding the Madison application.
8. Correspondence relating to the transfer of the Frost matter Rose.
9. Electronic mail, dated January 10, 1994, regarding billing submitted by Rose.
10. Electronic mail, dated January 11, 1994, regarding the law firm's involvement in Madison.
11. Assorted invoices from Rose regarding the Frost matter.
12. Letter from Rose confirming its representation of the FDIC/RTC in the Frost matter.
13. Listing of matters handled by Rose for the FDIC/RTC.
14. Letter to Rose regarding the Frost lawsuit files.
15. Letter regarding conflict concerns to Breslaw.
16. Letter regarding conflict concerns to O'Donnell.
17. Letter regarding conflict concerns to Paulson.
18. Letter from Rose regarding RTC Legal Services Agreement.
19. Legal Services Agreement between Rose and the RTC.
20. Legal Services Agreement between Rose and the FDIC.
21. Electronic Mail, dated January 10, 1994, from Breslaw to multiple parties regarding this investigation.

SdC Rec'd 7/1/94

ZUCKERMAN, SPAEDER, GOLDSTEIN, TAYLOR & KOLKER

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July 1, 1994

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BY MESSENGER

Michael Davidson, Esq.
Senate Legal Counsel
United States Senate
642 Hart Building
Second & Constitution Avenue, N.E.
Washington, DC

Dear Michael:

I represent Lisa Caputo. Ms. Caputo has received a request for documents from the Chairman and the Ranking Member of the Senate Committee on Banking, Housing and Urban Affairs. I have been advised that Committee staff has conferred with the White House Counsel's Office regarding this matter and that White House Counsel will produce to the Committee those documents responsive to the request which Ms. Caputo made available to Independent Counsel Fiske in response to a grand jury subpoena served on the White House.

If I may be of further service in this matter, do not hesitate to contact me.

Sincerely yours,

William W. Taylor, III

William W. Taylor, III

WWT/etw

cc: Lisa Caputo
Jane Sherburne

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July 1, 1994

VIA MESSENGER

Kelly Cordes, Chief Clerk
Committee on Banking, Housing and
Urban Affairs
United States Senate
Room 534 Dirksen Senate Office Building
Washington, D.C. 20510-6075

Dear Ms. Cordes:

This will confirm receipt of a letter dated June 22, 1994 from Committee Chairman Donald W. Riegle, Jr. and Senator Alfonse M. D'Amato to Mark D. Gearan pertaining to hearings pursuant to Senate Resolution 229. We have been asked by Mr. Gearan to provide counsel to him in connection with this matter.

The June 22 letter requests production of certain documents. In this connection, I have been in contact with attorneys in the White House Counsel's Office and have been informed of discussions between that office and the Committee concerning the production of White House documents. Based on those discussions, it is my understanding that the White House Counsel will be producing today all White House documents produced to Independent Counsel Robert Fiske in response to Grand Jury subpoenas issued to the White House and White House Staff, including Mr. Gearan. I am informed that this procedure is acceptable to Committee Counsel. I am also told specifically that all White House documents under Mr. Gearan's care, custody and control that were produced to the Grand Jury are being produced to the Committee. Mr. Gearan has no personal documents responsive to those subpoenas.

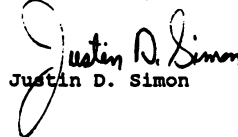
Kelly Cordes, Chief Clerk
July 1, 1994
Page 2

Accordingly, it is my understanding that it will not be necessary for Mr. Gearan to make a separate production of the same documents which are being produced by White House Counsel today. I also understand that they will be providing an index of the documents produced.

This will also confirm my understanding that the Committee reserved its right to request additional documents and that a response to such further request may not be governed by the current agreement. Please be assured that Mr. Gearan is prepared to respond directly to the Committee should it so desire and that we have been assured the cooperation of White House Counsel in connection with any requests from the Committee to produce White House documents to the Committee directly.

Should you or any member of the Committee or its staff have any questions, please contact me or my co-counsel Judith Hammerschmidt at (202) 828-2211.

Respectfully,


Justin D. Simon

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July 8, 1994

BY HAND

The Honorable Donald W. Riegle, Jr.
Chairman
The Honorable Alfonse M. D'Amato
Ranking Member
United States Senate Committee on Banking
534 Dirksen Senate Office Building
Washington, D.C. 20510-6075

Re: Document Request to Harold Ickes

Dear Chairman Riegle and Senator D'Amato:

As counsel for Harold Ickes, Assistant to the President and Deputy Chief of Staff, we write today in response to your Committee's letter of June 22, 1994, requesting that he provide you with certain documents. Earlier this year, Mr. Ickes reviewed his files to identify documents responsive to grand jury subpoenas issued by Special Counsel Robert B. Fiske. That review also would have identified all documents then in Mr. Ickes' possession, custody, or control responsive to your Committee's request.


The documents thus identified were furnished by Mr. Ickes to the Office of White House Counsel. No personal documents were withheld. We understand that the Office of White House Counsel has reviewed the documents furnished by Mr. Ickes and provided you with copies of the same that are responsive to your Committee's request. We are advised that in accordance with an understanding reached between representatives of the White House and the Committee, the document production by the White House

The Honorable Donald W. Riegle, Jr.
July 8, 1994
Page 2

in these circumstances satisfies the Committee's June 22 request to Mr. Ickes.

If you have any questions about document production, please do not hesitate to call me at 202-371-7180.

Sincerely,


Robert S. Bennett

1751

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July 1, 1994

BY HAND DELIVERY

Senator Donald W. Riegle, Jr., Chairman
Senator Alfonse M. D'Amato, Ranking Member
United States Senate
Committee on Banking, Housing and Urban Affairs
Washington, D.C. 20510

Dear Senators Riegle and D'Amato:

I represent Bruce R. Lindsey, Assistant to the President and Senior Advisor, and am in receipt of your letter to him of June 22, 1994, regarding the Senate's inquiry pursuant to Senate Resolution 229.

Mr. Lindsey does not have any documents within his custody, control or possession relating to the matters listed in your June 22 letter, other than White House documents that we understand are being produced directly to you by the White House Counsel's office. Please let me know if we can provide any further information.

Sincerely yours,


Allen R. Snyder

lmh

cc: Bruce R. Lindsey, Esq.
Lloyd N. Cutler, Esq.

ZUCKERMAN, SPAEDER, GOLDSTEIN, TAYLOR & KOLKER
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BY MESSENGER

Michael Davidson, Esq.
Senate Legal Counsel
United States Senate
642 Hart Building
Second & Constitution Avenue, N.E.
Washington, DC

Dear Michael:

I represent Thomas F. McLarty, III. Mr. McLarty has received a request for documents from the Chairman and the Ranking Member of the Senate Committee on Banking, Housing and Urban Affairs. I have been advised that Committee staff has conferred with the White House Counsel's Office regarding this matter and that White House Counsel will produce to the Committee those documents responsive to the request which Mr. McLarty made available to Independent Counsel Fiske in response to a grand jury subpoena served on the White House.

If I may be of further service in this matter, do not hesitate to contact me.

Sincerely yours,

William W. Taylor, III
William W. Taylor, III

WWT/etw

cc: Thomas F. McLarty, III
Jane Sherburne

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July 19, 1994

BY FAX

Roman Darnier
Special Counsel
United States Senate Committee on
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Dirksen Senate Office Building
Room SD-534
Washington, D.C. 20510-6075

Re: Document Request to Thomas F. McLarty, III

Dear Mr. Darnier:

This is to follow up on my letter to you of July 1, 1994 and your telephone conversation with Leslie Berger of this office of July 14, 1994. Mr. McLarty has reviewed his personal records and has located no documents responsive to the Committee's request dated June 22, 1994. If I may be of further assistance, please do not hesitate to contact me.

Very truly yours,

William W. Taylor
William W. Taylor, III

WWT/mb

cc: Thomas F. McLarty, III

d:\attorney\lmb\5704\darnier.ltr

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(202) 778-1810

August 3, 1994

BY HAND

The Honorable Donald W. Riegle, Jr.
Chairman
United States Senate
Committee on Banking, Housing & Urban Affairs
534 Senate Dirksen Office Building
Washington, D.C. 20515-6050

Dear Mr. Chairman:

Re: Thomas F. McLarty, III

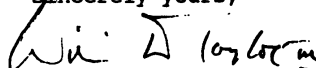
On June 22, 1994, this Committee requested that Mr. McLarty produce documents related to contacts between Treasury or RTC officials and White House officials regarding Madison. On July 1 and on July 19, 1994, we wrote to your office advising that Mr. McLarty had produced all responsive documents. Mr. McLarty recently noticed, however, that his personal Day-Timer for February 2, 1994, contains a reference to "Harold." A copy of the relevant page is attached hereto. We have redacted the non-responsive entries. Mr. McLarty believes that this entry may refer to the February 2, 1994 meeting, which was set up by Mr. Harold Ickes and to which Mr. McLarty was invited. As you know, Mr. McLarty did not attend this meeting.

1755

The Honorable Donald W. Riegle, Jr.
August 3, 1994
Page 2

Please feel free to contact the undersigned if you have any questions regarding this document.

Sincerely yours,



William W. Taylor, III

WWT/mb
Enclosure

e:\attorney\mb\5704\riegle.ltr

2

| JANUARY 1994 | | | | | | | FEBRUARY 1994 | | | | | | | MARCH 1994 | | | | | | |
|--------------|-----|-----|-----|-----|-----|-----|---------------|-----|-----|-----|-----|-----|-----|------------|-----|-----|-----|-----|-----|-----|
| SUN | MON | TUE | WED | THU | FRI | SAT | SUN | MON | TUE | WED | THU | FRI | SAT | SUN | MON | TUE | WED | THU | FRI | SAT |
| 2 | 3 | 4 | 5 | 6 | 7 | 8 | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 9 | 10 | 11 | 12 | 13 | 14 | 15 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| | | | | | | | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | | |
| | | | | | | | 27 | 28 | | | | | | | | | | | | |

WEDNESDAY
FEBRUARY, 1994

332 Days Left

TO BE DONE TODAY (ACTION LIST)

APPOINTMENTS & SCHEDULED EVENTS

NAME

SUBJECT HOURS

8
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30
45 0800
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45 1600
5
15
30
45 1700

R E D A C T E D

NOTES & MEMOS MADE TODAY

ZUCKERMAN, SPAEDER, GOLDSTEIN, TAYLOR & KOLKER

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WASHINGTON, D.C. 20036

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 LISA A. CAHILL*
 MARC N. BELL
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 JILL M. GRANAT*
 CHRISTOPHER S. CARVER*

*NOT ADMITTED IN D.C.

WRITER'S DIRECT DIAL NUMBER

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 MARSHALL S. WOLFF
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 BLAIR G. BROWN
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 SHARON L. KEGERREIS*
 EDWARD J. M. LITTLE*
 THOMAS J. MEERS*
 MICHAEL STEVEN GREENE*
 DEBORAH J. JEFFREY
 THOMAS B. WASON
 BARBARA L. WARD

JOHN F. EVANS (1941-1988)

September 26, 1994

BY HAND

The Honorable Donald W. Riegle, Jr., Chairman
 United States Senate Committee on Banking,
 Housing & Urban Affairs
 534 Senate Dirksen Office Building
 Washington, DC 20515-6050

Re: Thomas F. McLarty, III

Dear Mr. Chairman:

On June 22, 1994, this Committee requested that Mr. McLarty produce documents related to contacts between Treasury or RTC officials and White House officials regarding Madison. On July 1 and on July 19, 1994, we wrote to your office advising that Mr. McLarty had produced all responsive documents.

On September 22, 1994, we wrote and advised you that Mr. McLarty had recently located a potentially responsive page from his Day Timer^{1/} that had not previously been produced to White House counsel. We provided you with a copy of that page.

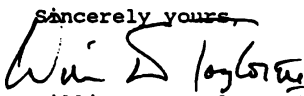
^{1/} As we explained in our letter to you of August 10, 1994, you have already received Mr. McLarty's daily office calendars. Although Mr. McLarty occasionally lists meetings in the Day-Timer, he primarily uses it as a reminder to himself of things to do.

The Honorable Donald W. Riegle, Jr.
September 26, 1994
Page 2

The discovery of that page caused Mr. McLarty to review his Day-Timer for the relevant time period to ensure that no other potentially responsive page had been overlooked. In the course of that review, Mr. McLarty located a page for March 13, 1994, which contains the entries "Altman letter (look over)" and "Altman letter." A copy of the relevant page is attached hereto. We have redacted the non-responsive entries.

Mr. McLarty has no recollection about these entries. However, he believes the entries could refer to one of the letters that Roger Altman wrote to Senator Riegle in which he supplemented his Senate Banking Committee testimony of February 24, 1994.

Please feel free to contact the undersigned if you have any questions regarding this document.

Sincerely yours,

William W. Taylor, III

WWT/mb
Enclosure

lmb\5704\riegle.ltr

SUNDAY
MARCH, 1994

13

U.S. MAR 8
JANUARY AND WORK RECORD
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1700

~~Attorney General~~ (Lough
Cmo

~~Attorney General~~

ZUCKERMAN, SPAEDER, GOLDSTEIN, TAYLOR & KOLKER

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(202) 778-1848

February 9, 1995

BY HAND

Neal Kravitz
 Special Counsel
 United States Senate Committee on
 Banking, Housing and Urban Affairs
 Dirksen Senate Office Building
 Room SD-534
 Washington, D.C. 20510-6075

Re: Thomas F. McLarty, III

Dear Mr. Kravitz:

It has come to my attention today that due to a clerical error a couple of the dates contained in a letter we sent to the Committee on September 26, 1994 were inaccurate. Our September 26 letter related to Mr. McLarty's responses to the Committee's document requests. I set forth below the correct information.

On June 22, 1994, the Committee requested that Mr. McLarty produce documents related to contacts between Treasury or RTC officials and White House officials regarding Madison. On July 1 and on July 19, 1994 we wrote to your office advising that Mr. McLarty had produced all responsive documents.

Neal Kravitz
February 9, 1995
Page 2

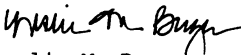
On August 3, 1994,^{1/} we wrote and advised you that Mr. McLarty had recently located a potentially responsive page from his Day Timer that had not previously been produced to White House counsel. We provided you with a copy of that page on August 3.^{2/}

The discovery of that page caused Mr. McLarty to review his Day Timer for the relevant time period to ensure that no other potentially responsive page had been overlooked. In the course of that review, Mr. McLarty located a page for March 13, 1994. We provided you with a copy of that page on September 26.

In sum, we have written to the Committee on four occasions regarding Mr. McLarty's responses to document requests (July 1, July 19, August 3 and September 26) and have provided the Committee with two pages from Mr. McLarty's Day Timer (a page dated February 2, 1994, which was provided on August 3; and a page dated March 13, 1994, which was provided on September 26). There are no other letters or Day Timer pages.

I apologize for any confusion. Please feel free to contact me if you have any questions.

Very truly yours,


Leslie M. Berger

LMB/mb

d:\attorney\lmb\5704\kravitz.ltr

^{1/} Our September 26 letter incorrectly identified the date of this letter as September 22. There is no September 22 letter. The correct date is August 3.

^{2/} Footnote 1 of our September 26, 1994 letter referred to a letter of August 10. There is no letter of August 10. The footnote reference is to the August 3 letter.

THE WHITE HOUSE
WASHINGTON

July 1, 1994

VIA FACSIMILE

Kelly Cordes
Chief Clerk
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Ms. Cordes:

By letter dated June 22, 1994, Chairman Riegle and Senator D'Amato wrote to me and requested that I provide certain records to the Committee on Banking, Housing, and Urban Affairs in connection with hearings the Committee will hold pursuant to Senate Resolution 229.

All of my documents responsive to the request are White House documents that I have provided to the White House Counsel's Office. I understand that the White House Counsel's Office will be delivering any such responsive documents to the Committee. I also understand that the White House Counsel's Office will be providing the Committee a list identifying which of the documents being produced are from my files.

Thank you for your attention to this matter.

Sincerely,



Stephen R. Neuwirth
Associate Counsel to the President

cc: Jane Sherburne
Special Associate Counsel to the President

1763

NEW YORK, NEW YORK

DENVER, COLORADO

JAMES F. FITZPATRICK
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TELEX: 88-8733

LOS ANGELES, CALIFORNIA

TOKYO, JAPAN

July 1, 1994

VIA MESSENGER

Ms. Kelly Cordes
Chief Clerk
United States Senate
Committee on Banking, Housing
and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510-6075

Dear Ms. Cordes:

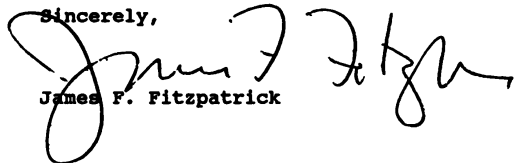
This is in response to your June 22, 1994 letter to Bernard W. Nussbaum.

On behalf of Mr. Nussbaum, we enclose copies of documents that we have numbered N000001-46. They represent the documents in Mr. Nussbaum's possession that relate to communications between officials of the White House and the Department of the Treasury or the Resolution Trust Corporation relating to the Whitewater Development Corporation and the Madison Guaranty Savings and Loan Association. The originals of those documents are in the possession of the White House.

Mr. Nussbaum does not have any documents that relate to the Park Service investigation into the death of Vincent Foster or the way in White House officials handled documents in the office of Vincent Foster at the time of his death.

Mr. Nussbaum will be represented in these proceedings by Lawrence B. Pedowitz and Robert B. Mazur of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019 (212-403-1000) and by Peter Zimroth and me in our firm.

Sincerely,



James F. Fitzpatrick

1764

THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

RTC *Matthew*
Sub

THIS MESSAGE IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE. If the reader of this message is not the intended recipient or an employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us by mail. Thank you.

FAX COVER SHEET

Date : MARCH 24 1993
To : BERNIE NUSSBAUM
Fax # : 456-6279
From : Roger C. Altman
Number of pages - including this cover page 3
Message :

Please call 202/ 622-0402 if you do not receive all pages
Mr. Altman's private fax number is : 202/ 622-0404

RTC North Central Region CLIP SHEET

Monday, March 9, 1992

Selected News Articles

Public Affairs

CLINTON DEFENDS REAL-ESTATE DEAL

Says He Lost at Least \$25,000
and Did Nothing Improper

By GWENIFILL

Special to The New York Times

AUSTIN, Tex., March 8 — Gov. Bill Clinton of Arkansas said today that he and his wife, Hillary, did nothing improper when they entered a real-estate partnership with the owner of a savings and loan institution that was subject to state regulation.

Speaking to reporters as he campaigned through Texas today for votes in the Democratic Presidential primary on Tuesday, Mr. Clinton said that an article about the partnership in The New York Times on Sunday was misleading and that he and his wife lost more than \$25,000 in the joint venture.

"There was no impropriety," Mr. Clinton said of the partnership with his former aide James B. McDougal to develop land in the Ozarks.

Financial Exposure

The partnership began in 1978, when Mr. Clinton was Arkansas's Attorney General. "I was not yet Governor," he said today, and Mr. McDougal "was not in any financial institution."

"The article seems to imply that my wife and I had no financial exposure," he went on. "There's nothing could be further from the truth."

"We were jointly and severally liable for more than \$200,000 worth of debt," Mr. Clinton said. He termed the relationship "purely private investment" that was "nothing but a big money loser for me."

The Times article raised questions about the Clintons' relationship with Mr. McDougal and Whitewater Development, a corporation that planned to turn the 200 acres of Ozarks property into lots for vacation homes.

Records obtained by The New York Times were incomplete, but the article questioned the Clintons' involvement in the venture at a time when Mr. McDougal's savings institution, Madison Guaranty, was subject to regulation by the state securities commission.

The article also said that on their tax returns in 1984 and 1985 the Clintons improperly deducted at least \$6,000 in interest payments on bank loan payments. Whitewater made for them.

THE NEW YORK TIMES
March 9, 1992

Lawyers Agree To Pay Big Fine In S. & L. Case

By STEPHEN LABATON

Special to The New York Times

WASHINGTON, March 8 — A leading New York law firm today agreed to pay \$41 million to settle Government accusations that it had improperly withheld damaging information about its client, a large savings association whose failure has epitomized the savings and loan industry's disaster.

Shortly before settling the \$278 million lawsuit that the Government filed six days ago, lawyers at the firm, Kaye, Scholer, Fierman, Hays & Handler, insisted again that they did nothing improper in representing Charles E. Keating Jr. and his Lincoln Savings and Loan Association of Irvine, Calif. They were forced to settle, they said, by the Government's move to freeze the firm's assets, which put the firm perilously close to collapse.

The Government said this evening that the settlement would "assure that the firm's activities that gave rise to the case are never again repeated."

The quick settlement, in which Kaye, Scholer neither admits nor denies the Government's accusations, is expected to have a profound impact on a wave of lawsuits the Government is preparing to file in the next few weeks against lawyers, accountants and savings executives from scores of institutions seized in March 1989. The stigma of limitations on those cases runs out this month.

"It is unlikely that it is the last time we will use such an order preserving assets," said Harris Weinstein, chief counsel to the Office of Thrift Supervision, the agency that regulates the savings industry and that filed the lawsuit along with the Justice Department.

Freezing assets is a tactic that the Government has traditionally reserved

Continued on Page C3, Column 4

N000002

The deductions saved them some \$1,000 in taxes. Mr. Clinton said he and his wife were reviewing their tax records and would repay the amount, which his lawyer, Susan P. Thomas, described as an "honest error."

Before the Times article was published, the Clintons turned down requests for interviews, instead retaining lawyers to answer questions about the enterprise. The lawyers were interviewed for several hours in person and several hours by telephone and provided 13 to 20 documents.

In an interview in The Arkansas Democrat Gazette today, Mr. McDougal was quoted as saying that the Clintons did nothing improper and that neither he nor his savings and loan got preferential treatment from state regulators.

In a separate statement at Mr. Clinton's news conference today, Sam

Heuser, Mr. McDougal's lawyer, said he was "appalled and affronted by the allegations and reckless disregard of the facts by The New York Times and its reporter, Jeff Gerth."

He said that any suggestion that Mr. McDougal used money from Madison Guaranty to subsidize the Clintons' portion of the joint partnership "is not only false but probably actionable by Mr. McDougal."

Mr. Heuser said in the statement that there was "no link between Whitewater Development Company and Madison Guaranty Savings and Loan."

The Times article cited records showing that in 1994, when Whitewater's account at Madison was overdrawn, money was deposited to make

up the shortage from Madison Market, an affiliate of the savings and loan that derived its revenue from the institution.

The article also called attention to Mr. Clinton's appointment of Beverly Bassett Schaffer, a lawyer in a firm that had represented Madison Guaranty, as State Securities Commissioner at a time when the institution faced possible closure by the state.

Today Mr. Clinton said his appointing Mrs. Schaffer was not a way of aiding Mr. McDougal. "I had no contact with her whatsoever on this and neither did my wife have any contact," the candidate said.

Mrs. Schaffer, in a statement also released by the campaign, concurred.

Questions Are Raised About the Clintons and an Ozark Real-Estate Firm

Continued From Page 1

The state, Mr. Clinton appointed a new state securities commission, who was responsible for the loan taken out to buy it, Whitewater Development of the Clintons.

The deed for the land and the loan payments are all registered in the Clinton name.

The lawyers said they were not in a position to answer questions about where the money that went into Whitewater came from, though the records that are available indicate that

A Governor, his wife and a failing S. & L.

Mr. McDaniel and his wife provided most of the money for the venture. Some questions about the relationship and the Clintons' role in it may be difficult to resolve because of differing accounts and the missing records.

The two lawyers representing the Clintons are Susan P. Thomas, a campaign aide who participated in several hours of interviews at Mrs. Thomas' home, and Lucetta Lynch, a spokeswoman for Mrs. Clinton.

Payments on the debt are available, and Mrs. Thomas' account, slow that Whitewater made payments between 1952 and 1955 on Mrs. Clinton's \$20,000 loan, reducing the debt to about \$16,000 while also paying at least

trans, made because there was confusion over who really owned a certain piece of Whitewater property and who was responsible for the loan taken out to buy it, Whitewater Development of the Clintons.

The deed for the land and the loan payments are all registered in the Clinton name.

The lawyers said they were not in a position to answer questions about where the money that went into Whitewater came from, though the records that are available indicate that

\$14,000 in interest. At least one of these checks was signed by Mr. McDaniel.

Mrs. Clinton originally borrowed the \$20,000 from Mr. McDaniel's bank, but "Hillary took the loan on behalf of a corporation," Mr. Thomas said.

That, she explained, is why Whitewater made the payments.

The Clintons' 1954 and 1955 tax returns show that they took deductions for interest payments of \$2,811 and \$3,223 that Whitewater had made.

"It clearly is so," Mr. Thomas said. She noted that the 1954 returns for those years were prepared by professional accountants in Arkansas.

The Clintons' gross income in 1954, as reported on their tax returns, was about \$11,000 and they paid \$22,250 in Federal taxes. In 1955, their reported income was about \$107,000, and they paid \$14,000 in Federal taxes.

Since the filing error occurred more than three years ago, under Internal Revenue Service regulations, the Clintons are no longer liable for the taxes.

The Clintons' lawyers say they are reviewing all the Clintons' tax returns and other records, trying to determine what steps they might take.

Longtime Friends

Mr. Clinton and Mr. McDaniel were friends since the 1920's. They learned the ways of Arkansas politics together, and both were active in Democratic political circles as youths. Both worked for Arkansas Senator J. William Fulbright in their 20's.

At 27, Mr. Clinton became the nation's youngest governor, and he brought Mr. McDaniel into his administration at his side for economic de-

velopment. It was at about this time that the two men also were seen together, forming Whitewater.

A few years later Mr. McDaniel left government and bought controlling interest in small savings and loan association, Madison Guaranty Bank & Trust Co., the largest state-chartered savings bank in Arkansas, with branches in several cities.

But over time, the savings and loan got in trouble, like many others across the country. Hillary Clinton's efforts to help him were to no avail. Finally, in 1955, Federal regulators took the savings and loan away from Mr. McDaniel, and a Federal grand jury charged him with fraud, though he was acquitted after a trial. The Clintons were not involved in that.

Mr. McDaniel began having personal problems, too. He was found to be suffering from manic-depressive illness, though he was judged competent to stand trial. In the interviews, Mr. McDaniel appeared stable, careful and calm.

Last year, as Mr. Clinton was preparing to run for President, Mr. McDaniel said, the Governor called a mutual acquaintance to ask whether Mr. McDaniel harbored any hostilities. Mr. McDaniel said Mr. Clinton also suggested that he might be able to find a job for him. He has been living on Social Security disability payments because of his mental state and caring for ill children.

Mr. Clinton has not responded to a question about this conversation, but he told Mrs. Thomas that Mr. McDaniel had first asked for a job, in an earlier conversation. In any case, the mutual acquaintance told Mr. Clinton that Mr. McDaniel felt no bitterness.

After that, Mr. McDaniel added, a Congressman never called back to drive a possible job.

A year after the Clintons and McDaniel bought the Ozark Memorial property and founded Whitewater Development in 1957, the corporation bought a mobile home for about \$22,000 and placed it on one of its lots. That lot is then conveyed to Mrs. Clinton and it indicates that she paid nothing

With little investment, the Clintons stood to reap a big gain.

Mrs. Thomas says this was done by Whitewater. The deed, she said, should have noted that Mrs. Clinton paid for the property and above price.

But the house was turned on books as a Whitewater corporate asset and used as a model house to attract other buyers, according to Whitewater records produced by Mrs. Thomas.

Because the records are incomplete, it is unclear exactly what happened. It is clear that Mrs. Clinton personally borrowed \$20,000 from Mr. McDaniel's savings and loan at about the same time, to pay for the house and the 1

Mrs. Thomas said Mrs. Clinton is the companion regarded this as a personal debt, not a Clinton debt, she said. It was in Mrs. Clinton's name.

Extended Page

State Venture

The corporation included in one but the C. and the fact that it was the water while payments on until the end of 1933.

The year after acquiring the property, Mrs. Clough sold it for \$27,500 in a sale where payments went to be made over time, records show. It is not clear who received the buyer's down payment of \$2,000. Mrs. Clough, or the corporation, had Mrs. Thomas sold it was the corporation that sent the buyer on his back. A few years later, the buyer went bankrupt and stopped making payments, and then he died.

In 1938 Mrs. Clough bought back the house from the estate of the original buyer. Records show that she paid \$8,000 and then "resold" the property a short time later for about \$12,000, after Charles took. The Cloughs reported a capital gain on their 1938 tax year of \$1,000.

Mrs. Thomas explained that the capital gain was small because, as part of the transaction, Mr. Clough had to pay off Mrs. Thomas's remaining \$12,000 debt on the property, originally, he owned by Mrs. Clough. The payments the previous owner had been making to the corporation, before he went bankrupt, had been used to help pay off that debt.

Robert O'Neil, a former partner in the corporation, was making the claim that payments that Paulson guaranteed by was putting money into Whitewater. For example, Whitewater's check books, shown that Whitewater's account at Madison was overdrawn in 1934, when the corporation was making payments on the Cloughs loan. Money from Madison Bankrupting was deposited in help make up the shortage.

1770

TO: BERNIE NUSSBAUM

FR: ROGER ALTMAN

(2 pages follow)

RTC North Central Region CLIP SHEET

Monday, March 9, 1992

Selected News Articles

Public Affairs

CLINTON DEFENDS REAL-ESTATE DEAL

Says He Lost at Least \$25,000
and Did Nothing Improper

By GWEN IFILL

Served to The New York Times

AUSTIN, Tex., March 8 — Gov. Bill Clinton of Arkansas said today that he and his wife, Hillary, did nothing improper when they entered a real-estate partnership with the owner of a savings and loan institution that was subject to state regulation.

Speaking to reporters as he campaigned through Texas today for votes in the Democratic Presidential primary on Tuesday, Mr. Clinton said that an article about the partnership in The New York Times on Sunday was misleading and that he and his wife lost more than \$25,000 in the joint venture.

"There was no impropriety," Mr. Clinton said of the partnership with his former aide James B. McDougal to develop land in the Ozarks.

Financial Exposure

The partnership began in 1978, when Mr. Clinton was Arkansas's Attorney General. "I was not yet Governor," he said today, and Mr. McDougal "was not in any financial institution."

"The article seems to imply that my wife and I had no financial exposure," he went on. "There's nothing could be further from the truth."

"We were jointly and severally liable for more than \$200,000 worth of debt," Mr. Clinton said. He termed the relationship "purely private investment" that was "nothing but a big money loser for me."

The Times article raised questions about the Clintons' relationship with Mr. McDougal and Whitewater Development, a corporation that planned to turn the 200 acres of Ozarks property into lots for vacation homes.

Records obtained by The New York Times were incomplete, but the article questioned the Clintons' involvement in the venture at a time when Mr. McDougal's savings institution, Madison Guaranty, was subject to regulation by the state securities commission.

The article also said that on their tax returns in 1984 and 1986 the Clintons improperly deducted at least \$8,000 in interest payments on bank loan pay-

THE NEW YORK TIMES
March 9, 1992

Lawyers Agree To Pay Big Fine In S. & L. Case

By STEPHEN LABATON

Served to The New York Times

WASHINGTON, March 8 — A leading New York law firm today agreed to pay \$41 million to settle Government accusations that it had improperly withheld damaging information about its client, a large savings association whose failure has epitomized the savings and loan industry's disaster.

Shortly before settling the \$278 million lawsuit that the Government filed six days ago, lawyers at the firm, Kaye, Scholer, Fierman, Hays & Handler, insisted again that they did nothing improper in representing Charles H. Keating Jr. and his Lincoln Savings and Loan Association of Irvine, Calif. They were forced to settle, they said, by the Government's move to freeze the firm's assets, which put the firm perilously close to collapse.

The Government said this evening that the settlement would "assure that the firm's activities that gave rise to the case are never again repeated."

The quick settlement, in which Kaye, Scholer neither admits nor denies the Government's accusations, is expected to have a profound impact on a wave of lawsuits the Government is preparing to file in the next few weeks against lawyers, accountants and savings executives from scores of institutions seized in March 1989. The statute of limitations on those cases runs out this month.

"It is unlikely that it is the last time we will use such an order preserving assets," said Harris Weinstein, chief counsel to the Office of Thrift Supervision, the agency that regulates the savings industry and that filed the lawsuit along with the Justice Department.

Freezing assets is a tactic that the Government has traditionally reserved

Continued on Page C3, Column 4

ments that Whitewater saved them about \$1,000 in taxes. Mr. Clinton said he and his wife were reviewing their tax records and would repay the amount, which his lawyer, Susan P. Thomas, described as an "honest error."

Before the Times article was published, the Clintons turned down requests for interviews, instead retaining lawyers to answer questions about the enterprise. The lawyers were interviewed for several hours in person and several hours by telephone and provided 15 to 20 documents.

In an interview in The Arkansas Democrat-Gazette today, Mr. McDougal was quoted as saying that the Clintons did nothing improper and that neither he nor his savings and loan got preferential treatment from state regulators.

In a separate statement at Mr. Clinton's news conference today, Sam

Heuer, Mr. McDougal's lawyer, said he was "appalled and affronted by the allegations and reckless disregard of the facts by The New York Times and its reporter, Jeff Gerd."

He said that any suggestion that Mr. McDougal used money from Madison Guaranty to subsidize the Clintons' portion of the joint partnership "is not only false but probably actionable by Mr. McDougal."

Mr. Heuer said in the statement that there was "no link between Whitewater Development Company and Madison Guaranty Savings and Loan."

The Times article cited records showing that in 1984, when Whitewater's account at Madison was overdrawn, money was deposited to make

up the shortage from Madison Marketing, an affiliate of the savings and loan that derived its revenue from the institution.

The article also called attention to Mr. Clinton's appointment of Beverly Bassett Schaffer, a lawyer in a firm that had represented Madison Guaranty, as State Securities Commissioner at a time when the institution faced possible closure by the state.

Today Mr. Clinton said his appointing Mrs. Schaffer was not a way of aiding Mr. McDougal. "I had no contact with her whatsoever on this and neither did my wife have any contact," the candidate said.

Mrs. Schaffer, in a statement also released by the campaign, concurred.

FAX TRANSMITTAL



Office of the General Counsel
DEPARTMENT OF THE TREASURY
1500 Pennsylvania Ave., N.W., Room 3000
Washington, DC 20220
Telephone: (202) 622-0287
FAX: (202) 622-2882

DATE: FEB. 3 1994TO: Mr. Benie NassbaumPAGES TO FOLLOW: 14FROM: Jean HansonSUBJECT: BTCAddressee FAX No.: 456-6279 Confirmation No.: 456-2632

Notes and Special Instructions:

**2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6060**

[illegible]

I have high regard for your personal integrity, but as you know, from the beginning, it has been an awkward situation to have a presidentially appointed and confirmed officer of the Treasury Department also head an independent federal agency, the Resolution Trust Corporation (RTC). When this prospect was first suggested at the beginning of the Clinton Administration, it did

Mr. Roger C. Altman
 Page 2
 February 3, 1994

not strike the Minority as overly unreasonable for a month or two given the fact that no RTC head had been selected.

However, it has been over a year since the Administration has been in office and it can only be described as structurally unseemly for a political appointee of an Executive branch department to make what are in effect, law enforcement decisions for an independent federal agency as they may touch upon the President.

Accordingly, I would urge that you request from the Department of Treasury's General Counsel and Ethics Office advice as to whether you, as interim CEO of the RTC, are obligated to recuse yourself from any decisions concerning the resolution of Madison Guaranty. Just as the special counsel law was designed to relieve the Attorney General from an ethical dilemma of being both chief law enforcement officer for the nation and chief legal advisor to the President in circumstances when the President or a high level Administration officer is the subject of investigation, so it would appear ethically questionable for a political appointee of the Department of Treasury to make decisions for an independent federal agency when the President may be implicated in enforcement and civil actions.

In this regard, it should be clear that the issue is not whether a presidentially appointed official can oversee an investigation involving the President. Rather the issue is that officials with this responsibility should be confirmed for the job with that particular accountability. As you will recall it was a political appointee confirmed by the Senate that issued a cease and desist order for engaging in conflicts of interest against the son of a former President.

As you know, despite your strong letter to the Chairman of the House Banking Committee recommending against extension, Congress last year extended the statute of limitations for civil lawsuits brought against S&L wrongdoers. As you pointed out in your most recent letter, this extension "has afforded the RTC an opportunity to investigate further any civil claims which may be asserted against individuals or entities associated with Madison Guaranty for fraud, intentional misconduct resulting in unjust enrichment, or intentional misconduct resulting in substantial loss to the institution." Given, however, the impending running of the statute of limitations for certain kinds of actions, time is clearly of the essence for the RTC to make judgments about civil accountability in the failure of Madison.

Finally, I would like to reiterate my request, pursuant to Rules X and XI of the House Rules for all documents related to Madison Guaranty Savings and Loan, Little Rock, Arkansas. As you know,

Mr. Roger C. Altman
Page 3
February 3, 1994


on December 9, 1993, I wrote the RTC requesting access to all documents related to Madison Guaranty and its subsidiaries.

House and Committee Rules, House practices, and judicial precedent support the proposition that the Ranking Minority Member is the functional counterpart to the Chairman for Committee action. This being the case, a request for documents made by the Ranking Minority Member has parallel standing with a request made by the Chairman of the Committee. The Ranking Minority Member clearly has a voice in the process and is entitled to information that will enable the Ranking Minority Member to carry out his constitutionally mandated oversight responsibilities.

Therefore, the courtesy of a definitive reply to this document request is requested by 12 noon, Monday, February 7, 1994. On this matter, it is urged that you also consult with the Ethics Office as to the relevance of the previously discussed recusal issue.

Again, let me stress that to the degree a conflict situation may exist in this matter in no way reflects on your personal integrity. It is simply an awkward circumstance in contrast to a personal embarrassment.

Sincerely,



JAMES A. LEACH
Ranking Member

JAL:gp

Enclosure

MEMORANDUM

TO: Congressman Leach
FROM: Banking Minority Staff
RE: Madison Guaranty ("Madison")

In reviewing documents related to Madison in the possession of Minority Banking, we have come across material which may indicate direct payment of a loan of Bill Clinton's by Madison through a subsidiary.

Since the Minority's investigation is concerned with the possible misuse of federally insured funds to assist Whitewater and/or the former Governor, we thought we should share the following information with you.

SUMMARY

Based on documentary evidence available to the Minority, it appears that Madison Marketing served, in at least one instance, as a conduit of funds from Madison Guaranty to Whitewater and Governor Clinton. If this is correct, it would appear that insured funds from the failed Madison Guaranty were diverted and directly benefitted the Governor and his investment in Whitewater, a claim Clinton had denied.

DOCUMENTATION

- * In 1983, Bill Clinton obtained a loan from Security Bank of Paragould, Arkansas for approximately \$20,800 (loan #975-585, Bill Clinton). The money from this loan was used to pay off the remaining balance of a loan at Madison Bank and Trust of Kingston, Arkansas that was provided for the purpose of constructing a modular home on lot #13 at Whitewater Estates. The loan at Madison Bank was provided in 1980 to Hillary Clinton in the amount of \$30,000.
- * On November 8, 1985, James McDougal sent a letter accompanied by a check to Charles Campbell, Vice President of Security Bank of Paragould, for \$7,322.42. The letter from McDougal states that the check is principal and interest payment on "Note #957-585, Bill Clinton." [Note: It appears that the loan number is a typographical error with the superimposing of numbers 5 and 7 in the first three digits.]

(2)

- The check McDougal enclosed with his letter to Mr. Campbell is a Whitewater Development Corporation check dated November 7, 1985. The loan number referenced on the memo portion of the check is "Note #975-585."
- According to the check ledgers for the Whitewater Development Corporation (WDC), the corporation's checking account had the following balances: \$189.50 on 10-10-85; and, \$11.49 on 10-31-85. However, in order to cover the payment of \$7,322.42 on the Clinton loan, a deposit is recorded on November 8, 1985 in the amount of \$7,500.00. The deposit is listed as coming from "Madison Marketing."
- A 1986 Federal Home Loan Bank Board exam gives the impression that Madison Marketing was largely a sham corporation used to divert federally insured resources to insiders. The exam notes that "Until 1986, Susan McDougal owned Madison Marketing." The report also states the following:

"Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,532,000."

"Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work ... appears to be performed by others. It would appear that Madison Guaranty could have an employee perform similar work for much less money."

"Mr. Latham [an officer of Madison] stated that Madison Marketing made no payments to any stockholders. This statement is false. As part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal [a large stockholder of Madison] which total \$50,000. This was a test, and there may be additional payments."

CONCLUSION

Given the above circumstances, it would appear that federally insured deposits (i.e., funds from Madison Guaranty through Madison Marketing), which, with the later failure of Madison became, in effect, taxpayer obligations, were transferred for the direct personal benefit of the former Governor.

The above payment also raises the question of whether Whitewater

NO00015

(3)

was treated as an affiliate or related interest of Madison Guaranty and therefore subject to conflict of interest statutes. From a legal perspective, it could be argued that the McDougals' controlling interest in Madison Guaranty and their substantial ownership interest in Whitewater could qualify Whitewater as an "affiliate" of Madison Guaranty. Even if Whitewater is not considered a subsidiary, related interest, or affiliate of Madison Guaranty, such an extension of funds to a presumably "unaffiliated" entity would be very unusual and suspect.

It has been publicly reported, with respect to this loan repayment, that both Whitewater and the Clintons took a tax deduction related to interest paid on the same loan -- which the Clintons later recognized as improper double deduction after an article ran in the New York Times. What remains unclear is the larger question of whether the funds provided by Madison to reduce the Clinton's liability were proper or properly reported as income for income tax purposes.

As you know, we have received broad hints from within the RTC that the agency has had under review money transfers from Madison to Whitewater. We will not know whether this type of activity was more pervasive and part of a larger pattern unless, and until, the agency provides us the documents we have requested. If Madison provided any direct or indirect assistance to Whitewater, presumably half the value of such would redound to the advantage of each of the half owners. In any regard, the above money transfer underscores that then Governor Clinton had personal liabilities reduced by a payment from Madison. Such payment presumably carries ethical as well as tax implications and is part and parcel of the \$47 to \$60 million estimated taxpayer loss at Madison.

Attachments

1780

Bank

P. O. BOX 670

PARAGOULD, ARKANSAS 72450

801-238-0871

September 30, 1983

Governor Bill Clinton
1800 Center
Little Rock, AR 72205

Dear Governor Clinton:

Enclosed is a copy of our check #12677 in the amount of \$20,800.00 representing the proceeds of your note. The original was mailed to: Madison Bank & Trust, Kingston, Arkansas.

Sincerely,



Charles D. Campbell
Vice President

CDC/Lem



Security Bank

P. O. BOX 670
PARAGOULD, ARKANSAS 72450

PAY

Nº 12677

9-30 83

01-01-01

TO THE
ORDER OF Madison Bank & Trust 208

\$ 20,800.00

NOT NEGOTIABLE

OR loan proceeds for Gov. Bill Clinton

00841008790

2725-8810

1781

JIM McDOUGAL

P. O. Box 1583

Little Rock, Arkansas 72203

November 8, 1985

*James
copy*

Mr. Charles D. Campbell
Vice President
Security Bank
P. O. Box 670
Paragould, Arkansas 72450

Re: Note #957-585, Bill Clinton

Dear Mr. Campbell:

Enclosed is a White Water Development Corporation check for \$7,322.42, representing principal payment of \$5,000 and interest payment of \$2,322.42, on the above note.

Thank you for your attention to this matter.

Sincerely,

Jim McDougal
Jim McDougal

JM/ss
Enc

| | | |
|--|--|--|
| WHITE WATER DEVELOPMENT CORPORATION, INC. 3700 CANYON BL. SUITE 302 LITTLE ROCK, ARKANSAS 72202 | | 000145 <small>01-0000/1001</small> |
| PAY TO THE ORDER OF <u>Security Bank of Paragould</u> | | <u>11-7-1985</u> |
| <u>Seven thousand three hundred twenty two and 4/100</u> | | <u>97,322.42</u> |
| DOLLARS | | |
| For <u>Net # 975-585 Air. 5000</u> <u>James B. McDaniel</u> <u>11-7-1985</u> | | |
| 000145 4284174192 2 30 515 | | |

Account
 notation on
 Jul 13 1985
 for notation on
 11-7-1985

This is the

White
water clinic
leg

Drawn on Madison

| | | | |
|-----------------------------|---------|--------------------|---------|
| 000143 | | BAL DUE DATE | 3 59 |
| 10-10 | 9-30-15 | 10-15 | 4 57 |
| Edward Yarn | | | |
| Hollands | | | 285 18 |
| FOR | | | |
| TOTAL | | | 289 50 |
| AMOUNT THIS CHECK | | | 180 00 |
| BALANCE | | | 189 50 |
| 000144 | | | |
| 10-14-10-15 | | | |
| TO Maria Anderson, | | | |
| Union County, N.C. | | | |
| FOR 1864. tol + penalty for | | | |
| white water clinic | | | |
| TOTAL | | | |
| AMOUNT THIS CHECK | | | 177 60 |
| BALANCE | | | 11 90 |
| 10-30-15 | | | 58 |
| 10-30-15 | | | 12 49 |
| 000145 | | | |
| 11-7-10-15 | | | |
| TO Security Bank of | | | |
| Lancaster | | | 7500 00 |
| FOR 11-7-10-15 | | | |
| Prinicipal \$2,000.00 | | | |
| Interest \$5,502.42 | | | |
| TOTAL | | | 7512 49 |
| AMOUNT THIS CHECK | | | 7322 42 |
| BALANCE | | | 190 07 |

220.

FILED

IN THE CIRCUIT COURT OF POLK COUNTY, ARKANSAS
SECOND DIVISION

MAR 14 1991

MAR 14 1991

Madison Guaranty Savings and Loan Association, a State Chartered Savings and Loan; Madison Financial Corporation, a wholly owned subsidiary of Madison Guaranty Savings and Loan Association.

Plaintiffs.

vs.

No. 88-1197

Front & Company, an Arkansas Professional Association, and its directors James Alford, Michael Robinson, Gary Gray, Gaines Horton, Tim Gibbon, Steve Humphries, Alan Duncan, Frank Butts, Marjorie Itskovitz, John Bruce A. B. C. D.

Defendants.

FIRST AMENDED COMPLAINT

COMES NOW, Plaintiffs, and for cause of action states as follows:

1

FACTS

1. Plaintiff Madison Guaranty Savings and Loan Association (hereinafter, Madison Guaranty) is a state savings & loan association duly chartered under the laws of the State of Arkansas. Plaintiff Madison Financial Corporation (hereinafter, Madison Financial) is a state chartered corporation and wholly owned subsidiary of Madison Guaranty.

2. Defendant Front & Company is a professional association or partnership of public accountants with its principal place of business in Little Rock, Arkansas, comprised of the following individual partners who are set forth as Defendants in paragraphs 3.

3. Defendants James Alford, Michael Robinson, Gary Gray, Gaines Horton, Tim Gibbon, Steve Humphries, Alan Duncan, Frank Butts, Marjorie Itskovitz, John Bruce A. B. C. D. are directors

7. John Latham at all relevant times was the President and Chief Executive Officer of Madison Guaranty and a member of its Board of Directors; and a member of the Board of Directors and the Secretary of NRC.

* 8. Susan McDougal was at all relevant times wife of James S. McDougal, member of the Board of Directors of Madison Guaranty, President of Madison Real Estate, a division of NRC, and President of Madison Marketing, a service provider to Madison Guaranty and NRC.

* 9. Madison Real Estate was a real estate brokerage operation owned and operated by Madison Financial with its principal broker Susan McDougal.

10. Madison Marketing was an advertising agency through which Madison Financial and Madison Guaranty purchased all of its advertising for itself and NRC's real estate developments.

11. Jim, David and Bill Hanley ("Hanley Brothers") were real estate agents and/or developers for Madison Real Estate, who sold property and received substantial commissions and/or development fees from Madison Financial.

12. Frost & Company purported to serve as independent auditor of Madison Guaranty and its consolidated subsidiary Madison Financial for the years 1984 and 1985.

13. James S. Alford at all relevant times was the audit and accounting partner of Frost & Company in charge of the Madison Guaranty audit.

14. Federal Home Loan Bank Board ("FHLBB") is the primary federal regulator of Madison Guaranty. FHLBB has oversight of the Federal Home Loan Bank of Dallas which has direct supervisory responsibility for Madison Guaranty.

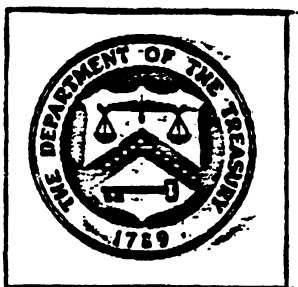
IV

LEGAL AND FACTUAL FRAMEWORK

15. This action arises from Frost & Company's breach of its duty and agreement to provide professional services in that its defendant Frost & Company violated Generally Accepted Auditing Standards ("GAAS") in connection with its audits of, and opinion

1786

FAX TRANSMITTAL



Office of the General Counsel
DEPARTMENT OF THE TREASURY
1500 Pennsylvania Ave., N.W., Room 3000
Washington, DC 20220 -
Telephone: (202) 622-0257
FAX: (202) 622-2882

DATE: Feb. 3, 1994

TO: Mr. Berni Hassbaum

PAGES TO FOLLOW: 2

FROM: Jan-Hanson

SUBJECT: GTC

Addressee FAX No.: 456-6279 Confirmation No.: 456-2632

Notes and Special Instructions:

These last 2 pages are legal size.
call my office if they do not go through.

Docket No. 7601

most of the commissions paid by Madison Financial to Madison Real Estate, which significantly derives all of its business from Madison Financial.

Many of the sales, which generated these commissions, were to McDougal-Henley Group members who are acting as straw buyers. Madison Guaranty essentially retained the risks of ownership on these transactions because it fully financed these sales including the cash sales commissions. Thus, Madison Guaranty's position deteriorated because it retained the same ownership risks as before, but paid cash fees to these individuals. In addition, fees paid through Madison Real Estate were used as down payments in some of the straw-land purchases in an apparent attempt to disguise 100% funding of the purchase by Madison Guaranty and its subsidiaries.

Moynihan, McDougal and Latham cited an April 24, 1985 letter from a Federal Home Loan Bank of Dallas Supervisory Agent as permission to pay real estate sales commissions to Madison Real Estate. However, this letter in part, asks that the Board of Directors review Insurance Regulation 371.7 which is cited above in this comment.

2. Madison Marketing

Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,537,000. Until February 1986, Susan McDougal owned Madison Marketing. During a portion of this time, it was a corporation which was incorporated by Lisa Annspaugh, reportedly a close friend of Susan McDougal.

Mr. Latham stated that after February 1986, Madison Marketing became an entity "d/b/a (doing business as)" for Madison Financial and ceased to be a corporation. However, it is not registered as a "d/b/a" in the County records. Also, its checking account has never been recorded on the books of Madison Financial.

Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work of advertising, such as the design and production of commercials and providing air time or newspaper space, appears to be performed by others. Madison Marketing apparently just pays the bills of other providers and adds a 15% fee of its own. Examiners estimated this fee to be approximately \$200,000 since 1983. It would appear that Madison Guaranty could have an employee perform similar work for much less money.

Mr. Latham stated that Madison Marketing made no payments to any stockholders. This statement is false. As a part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal which total \$50,000. This was a test, and there may be additional payments.

3. Madison's Connections

N000024

See on file

Designer's Construction performs construction work on some of the land development projects and on some of the property securing Madison Guaranty loans. In 1985 and to date in 1986, \$247,000 was paid for work performed for Madison Guaranty and its subsidiaries. The amount of loan proceeds paid to Designer's Construction on work for third party borrowers is unknown. Designer's Construction appears to be a

FEDERAL HOME LOAN BANK BOARD
OFFICE OF EXAMINATIONS AND SUPERVISION

Name and Address of Institution MADISON GUARANTY SAVINGS AND LOAN ASSOCIATION

1501 MAIN STREET, LITTLE ROCK, ARKANSAS 72203

District Number NINE Docket Number 7601

Examination as of (date) MARCH 4, 1966

Service Corporations and Other Affiliates Examined:

MADISON FINANCIAL CORPORATION

REPORT OF EXAMINATION

N000026

Prohibition of Disclosure or Release

Extended Page: 3.1

This document is the property of the Federal Home Loan Bank Board and is furnished to the institution for its confidential use. Under no circumstances shall the institution, or any of its directors, officers, or employees, disclose or make this document or any portion of it public in any manner.

If a subpoena or other legal process is received calling for production of this document, the District Director - Examinations should be notified immediately. The attorney at whose instance the process was issued, and, if necessary, the court which issued the process, should be advised of the above prohibition, and referred to Part 505 of the General Regulations of the Federal Home Loan Bank Board.

Directors, in keeping with their responsibilities, should review this report thoroughly. This report should not be considered an audit report.

BERNARD W. NUSSBAUM

1993 October

SUNDAY

MONDAY

TUESDAY

WEDNESDAY

THURSDAY

FRIDAY

SATURDAY

| | | | | | | |
|---|--|--|--|---|---|---|
| | | | | | 1 8:00am SENIOR 9:00am DAILY 9:45am Gansburg Out 1:30pm George Summit 7:30pm Lewis Shishik | 2 12:00pm Susan Tisch 7:00pm Dullinger Party |
| 3 7:00pm Mervin Sunset | 4 8:00am SENIOR 9:00am DAILY 12:00pm Fall Heymann (Gdson) 5:00pm Gansburg Premiere | 5 8:00am SENIOR 9:00am DAILY 9:00am DOB/ENG Meeting 11:00am Habbal/ Dullinger | 6 8:00am SENIOR 9:00am DAILY 12:00pm War Powers Meeting 2:00pm Pierre Level 4:00pm Habbal/ Lindsay 5:30pm NBC/ Balanced Budget 6:30pm NY Festival | 7 8:00am SENIOR 9:00am DAILY 10:00am Level Hearing 12:00pm Arnold 1:00pm 4:00pm Travel to California | 8 8:00am SENIOR 9:00am DAILY 12:30pm Stanford U 10:00pm Return from Calif | 9 2:00pm Shmonevitz WH |
| 10 11:00am Page Wedding | 11 8:00am SENIOR 9:00am DAILY | 12 8:00am SENIOR 9:00am DAILY 11:00am Habbal/ Dullinger 12:15pm Conf. Bd. of NY/Wilkes Hotel 4:30pm Karen Michaels | 13 8:00am SENIOR 9:00am DAILY 1:00pm Pollard Mtg. per BRL 2:45pm Halvart 4:00pm Men Miller | 14 8:00am SENIOR 9:00am DAILY 10:00am Joffe Selection 1:00pm Irving Greenberg 3:30pm Treasury 6:30pm Asst's of Gen. Counsel/Speak | 15 8:00am SENIOR 9:00am DAILY 10:00am Joffe Selection 1:00pm Irving Greenberg 3:30pm Treasury 6:30pm Asst's of Gen. Counsel/Speak | 16 12:00pm Esther Wedding/WH - Tim Unknown |
| 17 1:00pm NYC: Gans/Engles | 18 8:00am SENIOR 9:00am DAILY 10:30am State SO 6:00pm NY Law Journal Dinner | 19 8:00am SENIOR 9:00am DAILY 11:00am Habbal/ Dullinger 12:15pm Gays in Military 3:00-5:00pm Dr. Miller 7:45pm Knab/Catler Party | 20 8:00am SENIOR 9:00am DAILY 2:00pm David Harman, et al 6:30-8:30pm U.S. News & World Rpt./ Reception 7:30pm Levitt Dinner | 21 7:45am ABA Breakfast Speaker 8:00am SENIOR 9:00am DAILY 1:00pm Peter Shum 5:00pm Amst School 7:00pm Gansburg Dinner | 22 8:00am SENIOR 9:00am DAILY 10:30am Cabinet Meeting 12:00pm NYSE Bd. Lunch/NYC 2:30pm Lis Holzman | 23 12:30pm Peter, et al. 7:00pm Staff Party |
| 24 11:00am Edith Neuhofman, et al. | 25 8:00am SENIOR 9:00am DAILY 2:00pm Ethnic W/C 3:00pm Dr. Garry Miller 3:30pm Crisis Mtg. 4:30pm Armstrong Mtg. 8:00pm Mahan, et al. | 26 8:00am SENIOR 9:00am DAILY 11:00am Habbal/ Dullinger 11:30pm Phoebe Yang 4:30pm Adam Ransman 7:30pm HRC SO | 27 8:00am SENIOR 9:00am DAILY 11:00am Habbal/ Dullinger 11:30pm Phoebe Yang 4:30pm Adam Ransman 7:30pm HRC SO | 28 8:00am SENIOR 9:00am DAILY 10:00am Joffe Selection 12:00pm Leon Winchler (Gdson) 7:00pm Al Moss Dinner | 29 8:00am SENIOR 9:00am DAILY 10:00am Agency Custodian Mtg. 11:00am David Brady 12:30pm Veldt Rnd 7:00pm Shapal Dinner | 30 |
| 31 | September S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 | | | | | November S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 |

Updated: 2/17/94 11:00a.m.

BERNARD W. NUSSBAUM

1993 September

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|--|--|---|---|--|--|--|
| | | | 1 8:00am SENIOR 9:00am DAILY 9:15am Fresh Swimming-In 1:00pm John Martin/ Lunch 3:00pm Democrat/ Debate | 2 8:00am SENIOR 9:00am DAILY 9:15am Fresh 1:00pm John Martin/ Lunch 3:00pm Democrat/ Debate | 3 8:00am SENIOR 9:00am DAILY 12:00pm Charles Ticker Lunch 2:00pm News/OPB 3:00pm Lloyd Grove/ WP | 4 5:00pm John Martin Party |
| 5 | 6 8:00am SENIOR 9:00am DAILY | 7 8:00am SENIOR 9:00am DAILY 11:00am Hobbs/ Dellinger 12:00pm Don Freeman | 8 8:00am SENIOR 9:00am DAILY 1:00pm Les Gorman 4:30pm Owen Swimming-In 7:00pm Les Rydman/Dinner | 9 8:00am SENIOR 9:00am DAILY 3:00pm Stanley, Ph. 6:30pm Gov't Ethics Conf. | 10 8:00am SENIOR 9:00am DAILY 11:00am Bill Kennedy | 11 7:00pm Matt Zinn/ Beach |
| 12 7:00pm Matt Zinn/ Beach | 13 8:00am SENIOR 9:00am DAILY 10:00am Hobbs/ Dellinger 4:00pm Richard Casey 6:00pm Cocktail Buffet - Elmsford | 14 8:00am SENIOR 9:00am DAILY 11:00am Hobbs/ Dellinger 11:00pm Ted McKen/ Joel Clavish 12:30pm Elizabeth Dore 7:00pm DNC/APAC Dinner | 15 8:00am SENIOR 9:00am DAILY 1:00pm Mike Brennan 2:30pm Michael Pomer 3:00pm Leave for NYC | 16 7:00pm Rosh Hashan 8:00am SENIOR 9:00am DAILY | 17 8:00am SENIOR 9:00am DAILY | 18 8:00pm Elliot Pomer/ NYC |
| 19 12:00pm Brenda/ Brunch/Teatative | 20 8:00am SENIOR 9:00am DAILY 10:00am David Gorman 11:45am Ben Elmsford Reception 3:00pm EEO Meeting 7:30pm Mike Chorney | 21 8:00am SENIOR 9:00am DAILY 10:00am Hobbs/ Dellinger 11:00am Ted McKen/ Joel Clavish 12:30pm Elizabeth Dore 7:00pm DNC/APAC Dinner | 22 8:00am SENIOR 9:00am DAILY 10:00am Judicial Selection 12:00pm Cong. (Schumer) (Gale) 6:00pm Ben Glusberg | 23 8:00am SENIOR 9:00am DAILY 11:00am 77 12:30pm Bob Stuenkel Lunch 4:00pm Ben Research 6:00-8:00pm National Day Reception | 24 8:00am SENIOR 9:00am DAILY 10:00am GAO Interview 2:00pm Leave for NYC | 25 7:00pm Yom Kippur |
| 26 | 27 8:00am SENIOR 9:00am DAILY 2:00pm GAO Interview | 28 8:00am SENIOR 9:00am DAILY 10:00am Hobbs/ Dellinger 11:00am Ted McKen/ Joel Clavish 12:30pm Elizabeth Dore 7:00pm DNC/APAC Dinner | 29 8:00am SENIOR 9:00am DAILY 12:30pm Ben Stuenkel 2:00pm David Madson 6:45pm Weiss Briefing | 30 8:00am SENIOR 9:00am DAILY 10:30am Cabinet Meeting 12:30pm Joel Kohn 2:00pm Tom Ruse 3:00pm Bureau Staff Meeting 7:00pm Manhattan Captain Dinner | | |

August

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| 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 31 | | | | | | |

Updated: 2/17/94 11:00a.m.

| Telephone Log for BERNARD NUSSEBAUM | | Page #: 1 |
|--------------------------------------|--|--------------------------------------|
| Telephone Calls from ALTMAN ROGER | | |
| 02/24/94 4:40 PM | ALTMAN ROGER Ph #: (202) 662-1070 Home: Other Car: Fax: | no msg just wants to speak with him. |
| <input type="checkbox"/> Answered | | Taken By: TRIPP |

| Telephone Log for BERNARD NUSSEBAUM | | Page #: 1 |
|--|--|---------------|
| Telephone Calls from HANSEN JEAN | | |
| 02/03/94 11:05 AM <input type="checkbox"/> Answered | HANSEN JEAN TREASURY Ph #: (202) 622-0287 Home: Other: Car: Fax: | Taken By: TOM |

THE WHITE HOUSE
WASHINGTON

February 10, 1994

Dear Congressman Lightfoot:

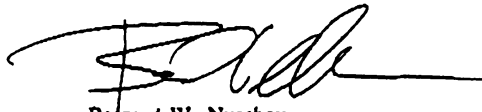
Thank you for your letter of January 11, which asks whether public funds are being used to provide the President with legal assistance related to issues surrounding Whitewater Development Corporation and the former Madison Guaranty Savings and Loan.

As I am sure you realize, an investigation affecting a sitting President necessarily requires the official attention of the White House staff, including the Office of the Counsel to the President. For example, the White House has been called upon to respond to various inquiries from members of Congress. Similarly, members of the press have made inquiries to the White House. These inquiries have required responses from the White House, including legal judgments on matters affecting the office of President of the United States.

As you know, however, the President and Mrs. Clinton are represented personally by a private attorney. No public funds are being used to compensate that attorney. Furthermore, no White House staff members are acting as lawyers for the President and the First Lady where there is no official nexus.

Thank you for your interest in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard W. Nussbaum", written over a horizontal line.



Bernard W. Nussbaum
Counsel to the President

The Honorable Jim Lightfoot
Member of Congress
U.S. House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE
WASHINGTON

February 22, 1993

MEMORANDUM FOR WHITE HOUSE STAFF

FROM: BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT 
STEPHEN R. NEUWIRTH 
ASSOCIATE COUNSEL TO THE PRESIDENT
RE: Prohibited Contacts with Agencies

It is important that all members of the White House staff recognize that there are significant restrictions on the kinds of communications a member of the White House staff may have with independent regulatory agencies, Executive agencies, and their components. These restrictions apply with particular force where agencies have an adjudicative, investigative, enforcement, intelligence, or procurement function. Violations of these restrictions may result not only in significant embarrassment to the individual involved and the White House, but in legal sanctions against the individual as well.

The following discussion sets forth the restrictions applicable when staff are in contact with an agency. It is critical that you review this material carefully. If you have any questions, please consult the Counsel's office before making any contact with an agency.

A. Contact with regulatory, investigative, intelligence, and procurement agencies.

1. Regulatory Agencies: The cases that come before these agencies are of two general types: rulemaking and adjudicative. Both normally involve high stakes, are very complicated, and are extremely important to the parties concerned.

There is generally no justification for any White House involvement in particular adjudicative or rulemaking proceedings at any agency. Therefore, as a general rule, no member of the staff should contact (a) any agency in regard to any adjudicative matter pending before that agency, or (b) any independent agency in

- 2 -

regard to any rulemaking pending before that agency. For rulemaking proceedings at Executive agencies, any staff member considering contacting any agency about such rulemaking should first consult with the Counsel's office. In all events, no such contacts with Executive agencies should be considered, nor will they be approved, if they imply preferential treatment or undue influence on the decision-making process.

Should you receive any inquiries with regard to pending regulatory or rulemaking matters, you should refer the inquiring party to the agency involved and express no opinion on the issues raised. White House staff members should avoid even the mere appearance of interest or influence.

Should an occasion arise in the course of your duties where it appears necessary to discuss general policy matters with the staff of an independent regulatory agency, you should first consult with the Counsel's office to determine whether such contact would be appropriate under the circumstances. Such clearance is not required before contacting Executive agencies on administrative, or purely executive or legislative, matters. But such clearance is required where any adjudicative, regulatory or procurement action is involved.

The following agencies, while not an exhaustive listing, are regarded by the Justice Department as independent and should not be contacted by White House staff (except for routine referrals of mail or administrative matters) without prior clearance from the Counsel's office:

- Commodity Futures Trading Commission
- Consumer Product Safety Commission
- Federal Communications Commission
- Federal Deposit Insurance Corporation
- Federal Election Commission
- Federal Maritime Commission
- Federal Reserve System
- Federal Trade Commission
- Interstate Commerce Commission
- National Credit Union Administration
- National Labor Relations Board
- National Transportation Safety Board
- Nuclear Regulatory Commission
- Occupational Safety and Health Review Commission
- Securities and Exchange Commission
- U.S. International Trade Commission

- 3 -

The following agencies, or components of Executive departments or agencies, have significant regulatory or adjudicative functions. Accordingly, they should not be contacted with respect to the exercise of those functions without prior clearance from the Counsel's office (which clearance generally will not be given for adjudicative actions and will be considered only on a case-by-case basis for regulatory actions):

Environmental Protection Agency
 Equal Employment Opportunity Commission
 Federal Aviation Administration
 (Transportation)
 Federal Energy Regulatory Commission
 (Energy)
 Federal Labor Relations Authority
 Food and Drug Administration
 (HHS)
 Foreign Claims Settlement Commission
 (Justice)
 Immigration and Naturalization Service
 (Justice)
 Merit Systems Protection Board
 Mine Safety and Health Administration
 (Labor)
 National Highway Traffic Safety Administration
 (Transportation)
 Occupational Safety and Health Administration
 (Labor)
 Overseas Private Investment Corporation
 Pension Benefit Guaranty Corporation
 Social Security Administration
 (HHS)
 U.S. Parole Commission
 (Justice)

This list is merely illustrative. Many bureaus and divisions of agencies have authority to issue binding regulations or to decide specific claims, and the same rules on prior clearance from the Counsel's office apply for those entities as well.

You should be aware that the President and Vice-President are presently considering certain changes to the regulatory review process, and further instructions on contacts with regulatory agencies may be forthcoming as those changes are adopted.

2. Investigative and Intelligence Agencies: As set forth in Part B of this section, the ban on agency contacts extends to the litigating, investigative and

- 4 -

adjudicatory divisions of the Department of Justice. The same rules also apply to the Internal Revenue Service, the Inspectors General, the Special Counsel of the Merit Systems Protection Board, and similar components of departments and agencies with authority to investigate charges of misconduct, to conduct audits of specific programs, or to bring complaints before courts or other adjudicative bodies.

White House staff should also confer with the Counsel's office before contacting agencies with respect to particular individuals. While the White House Office is not bound by the provisions of the Privacy Act of 1974, 5 U.S.C. Sec. 552a, Federal agencies are restricted by the Act from disclosing information about individuals contained in their files. The White House staff should be sensitive to these constraints.

Agencies in the intelligence community -- including the CIA, NSA, DIA, the Intelligence Division of the FBI, and the intelligence components of the military services -- report to the President through his Assistant for National Security Affairs. These agencies should not be contacted directly without coordinating first with the Assistant for National Security Affairs -- and, where issues of individual privacy arise, with the Counsel to the President.

3. Procurement Agencies: In recent years, the public has become increasingly sensitive to allegations of improper influence in the awarding of government contracts. No member of the White House staff should contact any procurement officer about a contract in which he or she has a personal financial interest or in which a relative, friend, or business associate has a financial interest. This is true not only with respect to calls or contacts in which influence is directly exerted, but also as to so-called "status" calls or other communications which might direct the attention of the procurement officer to the fact that a White House staff member has an interest.

There may be occasions when the White House has a legitimate interest in information about procurement matters. In such instances, however, any communication should be made only by persons who have no direct interest themselves, and whose friends or associates have no such interests. It is advisable that the lack of such interest be made known to those receiving the communication so that unintended inferences do not arise. Moreover, to the extent possible, information

- 5 -

about a procurement matter should be obtained after the contracting procedure is completed, or should be obtained from persons not involved in the decision-making process. To avoid the appearance of conflict and subsequent embarrassment, White House staff members who feel they must contact procurement agencies with regard to pending matters should first contact the Office of the Counsel to the President.

B. Communications with the Department of Justice

As we are all aware, it is imperative that there be public confidence in the effective and impartial administration of the laws. Political figures and others may seek White House intervention in pending criminal and civil matters, but it undermines the administration of justice if the White House even appears to be interfering in such cases.

The following procedures have been established for communications between the White House staff and the Department of Justice.

1. Any written or oral communication to the White House concerning particular pending Department of Justice investigations or criminal or civil cases must be directed immediately to the Counsel to the President. If appropriate and necessary, the inquiry will then be transmitted by the Counsel's office to the Office of the Attorney General or the Deputy Attorney General. No other member of the White House staff should discuss a pending criminal or civil matter with private individuals or organizations, or with the Department of Justice.
2. All requests for formal legal opinions from the Department of Justice must be directed to the Counsel to the President, who will in turn forward such requests to the Office of the Attorney General or to the Assistant Attorney General in charge of the Office of Legal Counsel.
3. Members of the the White House staff may communicate directly with the Department of Justice with respect to policy, legislation and budgeting matters.

C. Communications with the Department of the Treasury

In light of the sensitive nature of matters before some of the component agencies of the Department of the Treasury -- such as the Office of Comptroller of the Currency, the Internal Revenue Service, the Bureau of Alcohol, Tobacco and

- 6 -

Firearms, and the Secret Service -- the following procedures have been established for communications between the White House staff and the Treasury Department:

1. Any written or oral communication to the White House concerning pending investigations or cases must be directed to the Counsel to the President. If appropriate and necessary, the inquiry will then be transmitted to the Office of the Deputy Secretary of the Treasury.
2. All inquiries which concern or may concern rulings on pending applications, regulatory actions or adjudications must likewise be directed to the Counsel to the President for transmittal, if appropriate and necessary, to the Deputy Secretary (although it is unlikely that inquiries with respect to adjudications or to so-called "private" rulings will be considered appropriate or necessary).
3. Other than for routine "tax checks" in personnel matters, requests for tax return information generally will not be favored. All requests involving tax return information must be directed to the Counsel to the President. If the information is deemed essential and if permitted by the Internal Revenue Code, such requests will be forwarded to the Deputy Secretary of the Treasury (except for routine "tax checks", which will be processed under our existing procedures).
4. Requests for information or statistical data of a routine nature and comments regarding policy, legislation and budgeting may continue to be handled directly by White House staff and appropriate Treasury officials.

D. Procedures Governing Presidential Review of International Aviation Decisions

Executive Order 12547 (February 6, 1986) sets out procedures for Presidential review of international aviation decisions pursuant to Section 801 of the Federal Aviation Act, 49 U.S.C. Sec. 1461. Section 5 of the Executive Order prohibits individuals within the Executive Office of the President from discussing Section 801 cases -- those involving international aviation -- with outside parties, and requires such individuals to refer written communications on Section 801 cases from outside parties to the appropriate office outside the Executive Office of the President. White House staff members should refuse to discuss with interested private parties cases subject to the

- 7 -

President's approval under Section 801, and should refer any written communications concerning such cases to the Counsel's office for appropriate referral.

Purely domestic aviation decisions not subject to Presidential approval under Section 801 would typically be governed by the general policy against White House involvement in particular adjudicative matters. You should consult with the Counsel's office before discussing such cases with interested private parties or Government agencies.

* * *


The matters covered in this memorandum are intended only to improve the internal management of the Executive Branch and are not intended to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.


Please cooperate in observing the guidelines discussed above. If you have any questions regarding these procedures, please contact the Counsel's office.

THE WHITE HOUSE
WASHINGTON

March 9, 1993

MEMORANDUM FOR ALL WHITE HOUSE STAFF

FROM: BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT 

STEPHEN R. NEUWIRTH 
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: Prohibited Contacts with Agencies:
Follow-up Memorandum

As discussed in our memorandum of February 22, 1993 (copy attached), it is important that all members of the White House staff recognize that there are significant restrictions on the kinds of communications a member of the White House staff may have with independent regulatory agencies, executive branch agencies and their components. It is also important that senior members of the White House staff ensure compliance with these restrictions within their offices.

This memorandum is intended to clarify certain issues discussed in our February 22 memorandum. The following points are intended to supplement, not replace, our February 22 memorandum, and the February 22 memorandum should continue to be consulted for the broader range of topics it covers.

The rules discussed below and in our original memorandum are intended to provide guidance in the absence of any other formalized process for White House input in regulatory matters. As noted in our February 22 memorandum, the President and Vice-President are presently considering certain changes to the regulatory review process, and further instructions on contacts with regulatory agencies may be forthcoming as those changes are adopted. Moreover, these rules do not overturn those existing Executive Orders that provide mechanisms for regulatory review (particularly defining the role of the Office of Management and Budget). The procedures set forth in those orders can continue to be followed.

1. As a general rule, no member of the White House staff should contact any independent agency (or its components) with respect to any pending adjudicative or investigative matter.

N000040

It may be appropriate in certain circumstances for White House staff to discuss rulemaking matters with an independent agency; but prior to doing so, White House staff members must first consult with the Counsel's office. White House staff members should also consult with the Counsel's office before discussing general policy matters, or administrative or legislative issues, with an independent agency. Such consultation with the Counsel's office can address broad areas of ongoing discussion. (A list of independent agencies is set forth on page 2 of our February 22 memorandum.)

2. If an independent agency contacts a member of the White House staff for information, it is normally appropriate for the White House staff member to respond to such an inquiry. It is important, however, that no such discussions occur if (a) the White House staff member (or a relative, friend or business associate) has a personal interest in the matter at issue; (b) the inquiry relates to a particular rulemaking matter and the White House staff member is aware the private parties have been lobbying the White House with respect to that matter; (c) the inquiry relates to a particular adjudicative or investigative matter. Furthermore, in responding to such inquiries, it is important that White House staff members respond only to the specific inquiry, and not have discussions that would otherwise be prohibited without prior Counsel's office approval.

3. As a general rule, no member of the White House staff should contact any executive branch agency (or its components) with respect to any pending adjudicative or investigative matter. In some circumstances, it may be appropriate for White House staff to have discussions with executive branch agencies concerning rulemaking; but prior to doing so, White House staff members should first consult with the Counsel's office. The purpose of such consultation is to ensure that no private parties are receiving preferential treatment, or having undue influence upon, the rulemaking process. (A list of executive branch agencies with significant regulatory or adjudicative functions is set forth on page 3 of our February 22 memorandum.)

4. As a general rule, no clearance is necessary before a member of the White House staff contacts an executive branch agency to discuss general policy matters or administrative, executive or legislative issues. Keep in mind, however, that such discussions become inappropriate when (a) the White House staff member (or a relative, friend or business associate) has a personal financial interest in the matter being discussed or (b) the White House staff member is, or appears to be, acting on behalf of a private party that has a financial interest in the matter being discussed.

5. White House staff should confer with the Counsel's office before contacting independent or executive agencies with respect to particular individuals. Moreover, White House staff should be sensitive to the constraints placed on agencies by the provisions of the Privacy Act of 1974.

6. Agencies in the intelligence community should not be contacted directly without first coordinating any such contacts with the Assistant to the President for National Security Affairs. Where issues of individual privacy arise, the Counsel to the President should also be contacted.

7. No member of the White House staff should contact any procurement officer about a contract in which that staff member has a personal financial interest or in which a relative, friend or business associate has a financial interest. Moreover, if contacts are made in circumstances where no such financial interests are present, (a) such contacts should, to the extent possible, be made after the contracting procedure is completed and (b) the lack of such financial interest should be made known to those receiving the communication so that unintended inferences do not arise. To avoid even the appearance of impropriety in procurement, the Counsel's office should be consulted prior to any White House staff contacts on procurement matters.

8. Special rules apply to contacts by White House staff with the Department of Justice and with the Department of the Treasury. Those rules are set forth on pages 5 and 6 of our February 22 memorandum. Note that members of the White House staff may communicate directly with either Department with respect to policy, legislative or budgetary matters.

9. The rules governing contacts with agencies apply fully to matters concerning airlines and the airline industry. Private parties attempting to solicit White House support on domestic airline regulatory matters should generally be referred to the agency with rulemaking or regulatory authority. In addition, White House staff members must always refuse to discuss with interested private parties cases subject to the President's approval under Section 801 of the Federal Aviation Act (concerning Presidential review of international aviation decisions). The Counsel's office should be consulted before a member of the White House staff has discussions with parties interested in pending regulatory matters affecting an airline or airlines.

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THE WHITE HOUSE
WASHINGTON

May 4, 1993

MEMORANDUM FOR ALL WHITE HOUSE STAFF

FROM: BERNARD W. NUSSEBAUM
Counsel to the President

STEPHEN R. NEUWIRTH
Associate Counsel to the President

RE: Prohibited Contacts with Agencies

By memoranda dated February 22 and March 8, 1993, we set forth the policies governing communications by members of the White House staff with independent regulatory agencies, executive branch agencies and their components. In those memoranda, we explained that certain communications are prohibited without prior approval from the White House Counsel's office (e.g., communications with the Department of Justice concerning pending criminal or civil cases and investigations, and communications with other agencies concerning other adjudicative, investigative or rulemaking matters).

Our memoranda also noted that the President and Vice President are considering certain changes to the regulatory review process, and that further guidance will be forthcoming with respect to communications with agencies concerning pending regulatory and rulemaking matters. (Many such communications on regulatory and rulemaking matters are prohibited under the policies currently in effect, as set forth in our memoranda.)

The regulatory review project -- which is being coordinated by Jack Quinn, Counsel to Vice President Gore, in close cooperation with Sally Katzen, the Administrator-designate of OIRA -- should be completed during the next six to eight weeks. In the interim, and in order to ensure that the various offices within the White House do not send conflicting messages to any agency or department, all communications with agencies on specific regulatory and rulemaking matters should be discussed in advance with Jack Quinn. (Once Sally Katzen is confirmed by the Senate, all such communications should be discussed with her.)

All other communications requiring clearance from the Counsel's Office -- i.e., communications concerning pending adjudicative and investigative matters, as well as matters involving international aviation -- should continue to be cleared with us.

At the same time, we reiterate the guidance in our prior memoranda that members of the White House staff may communicate directly with agencies or departments with respect to policy, legislation or budgeting matters. Such communications are appropriate if they do not address particular pending adjudicative, investigative or rulemaking matters.

Thank you for your continuing assistance and cooperation in this area.

THE WHITE HOUSE
WASHINGTON

July 2, 1993

FVf

MEMORANDUM FOR WHITE HOUSE STAFF

FROM: BERNARD W. NUSSEBAUM
COUNSEL TO THE PRESIDENT
CLIFFORD M. SLOAN
ASSOCIATE COUNSEL TO THE PRESIDENT

RE: Policy Regarding Investigations and Investigatory Agencies

In prior memoranda of February 22, 1993 and March 9, 1993, we set forth policies governing communications between members of the White House staff and independent regulatory agencies, executive branch agencies, and their components. This memorandum is intended to supplement our prior memoranda and to explain White House policy regarding investigations and investigatory agencies.

(1) CONTACTS WITH INVESTIGATORY AGENCIES

White House contacts with investigatory agencies may arise in three circumstances: (1) contacts regarding the initiation of an investigation, (2) contacts regarding a pending investigation or case, and (3) contacts regarding administrative matters.

a. The FBI

White House staff may have knowledge of a possible violation of law or wrongful activities involving White House facilities or personnel. Such information should be communicated to the Counsel to the President. If Counsel determines that contact with the FBI is warranted, Counsel will initially contact the Attorney General, the Deputy Attorney General, or the Associate Attorney General. If continuing contact is required, Counsel and the senior Justice Department official with whom Counsel is dealing will design and monitor the continuing contact.

As stated in prior memoranda, with respect to pending investigations or cases, any written or oral communications should be directed to the Counsel to the President. If appropriate and necessary, Counsel will contact the Attorney General, the Deputy Attorney General, or the Associate Attorney

(2) WHITE HOUSE PRESS OFFICE DISCLOSURE OF ONGOING INVESTIGATIONS

The White House Press Office generally should not disclose ongoing investigations. In extraordinary circumstances, it is possible that a disclosure would be determined to serve the public interest. Even in such extraordinary circumstances, Press Office disclosure should be made only with the approval of (1) the Counsel to the President and (2) the Chief of Staff or Deputy Chief of Staff. Such disclosure should be made, moreover, if possible, only after consultation between the Counsel to the President and senior officials of the investigative entity's Department.

(3) PRESS OFFICE CONTACT WITH FBI

The White House Press Office responds to inquiries and provides information. A routine administrative function of the Office is consultation with spokespersons for Departments and agencies regarding public statements and publicly available information. Nevertheless, it is essential to avoid any possible appearance of interference with the FBI. Accordingly, in the future, if the Press Office desires to communicate with FBI spokespersons concerning public statements about a pending case or investigation, the Press Office should contact the Counsel to the President. If the communication is appropriate, Counsel will notify the Attorney General, the Deputy Attorney General, or the Associate Attorney General before it takes place. If continuing contact is required, Counsel and the senior Justice Department official with whom Counsel is dealing will design and monitor the continuing contact.

SKADDEN, ARPS, SLATE, MEAGHER & FLOM

1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111

FAX: (202) 393-5760
DIRECT DIAL
(202) 371-

(202) 371-7000

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SYDNEY
TOKYO
TORONTO

July 8, 1994

BY HAND

The Honorable Donald W. Riegle, Jr.
Chairman
The Honorable Alfonse D'Amato
Ranking Member
United States Senate Committee on Banking
534 Dirksen Senate Office Building
Washington, D.C. 20510-6075

Re: Document Request to John Podesta

Dear Chairman Riegle and Senator D'Amato:

As counsel for John Podesta, Assistant to the President and Staff Secretary, we write today in response to your Committee's letter of June 22, 1994, requesting that he provide you with certain documents. Earlier this year, Mr. Podesta reviewed his files to identify documents responsive to grand jury subpoenas issued by Special Counsel Robert B. Fiske. That review also will have identified all documents then in Mr. Podesta's possession, custody, or control responsive to your Committee's request.

The documents thus identified were furnished by Mr. Podesta to the Office of White House Counsel. No personal documents were withheld. We understand that the Office of White House Counsel has reviewed the documents furnished by Mr. Podesta and provided you with copies of the same that are responsive to your Committee's request. We are advised that in accordance with an understanding reached between representatives of the White House and the Committee, the document production by the White House

The Honorable Donald W. Riegle, Jr.
July 8, 1994
Page 2

in these circumstances satisfies the Committee's June 22
request to Mr. Podesta.

If you have any questions in these regards,
please do not hesitate to call us.

Sincerely,

Alan Kriegel

A handwritten signature in cursive script, appearing to read "Amy Sabrin", written in dark ink.

Amy Sabrin

THE WHITE HOUSE
WASHINGTON

July 1, 1994

Hon. Donald W. Riegle, Jr.
Chairman
Hon. Alfonse M. D'Amato
Ranking Member
Committee on Banking, Housing and
Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510-6075

Attention: Kelly Cordes, Chief Clerk

Dear Sirs:

This letter is to respond to your June 22, 1994 letter request for certain records in preparation for the hearings directed by Senate Resolution 229.

As page two of your letter anticipates, I have provided records responsive to your request to officials in the White House Counsel's office. I do not have a list of all of these documents, but I have been assured that all such documents responsive to your request will be produced by the White House in accordance with understandings reached between the Committee and the White House.

Beyond this, I have enclosed with this letter a copy of my personal notes summarizing my interview with the FBI on Friday, July 30, 1993, Bates stamped 300,000 - 300,003. For convenience, I have also enclosed a typed version of these notes, Bates stamped 400,000 - 400,003.

If you have further questions, please do not hesitate to call.

Very truly yours,



Clifford M. Sloan
Associate Counsel to the President

713193 1:00 p.m.

The FBI interviewed us on Friday, Jan. 30.

They began by asking me to describe everything I had done since the suicide. I described Bernie's phone call to me on Tuesday night. I described the situation on Wednesday when we were huddled in Bernie's office, including the President's stopping by to see us. I also described the President's condolences to the staff. Then on Wednesday we met with the Park Police, the FBI, and JCS.

On Thursday, the Park Police and the FBI interviewed the secretaries. In the afternoon, Bernie reviewed the files in Mrs. Hiss's presence for me, Steve, Bill Burton, Michael Spafford, 2 DAS lawyers (David Margolis & Roger Adams), 2 FBI agents, 2 Park Police, and 2 Secret Service agents. ■300000

They questioned me extensively about the briefcase.
 I explained that Berni had taken the file out - Does not say
 whether it was in file folder or not. The briefcase was
 relatively thin and was not bulky. I cannot remember exactly
 whether I looked in the briefcase or not, but I will recall
 that it was empty because I thought it was a good effort ~~to~~
 which could have been said to Jim (the). ^{would}
 The FBI agents expressed some skepticism that I ~~did~~ not
 have seen anything in the briefcase. But I told them the
 truth, as related above.

I explained that, on Friday, I was at the file.
 Early Saturday, I left for the beach. Monday morning,
 I worked on the Fresh Complaint and other notes.
 I found out about the note for the first time
 on Tuesday night after it had been turned over to

300001

authorities. They asked me if I knew the substance
 of conversations about whether to turn it over, including
 whether it should not be turned over because it had
 damaging value. I told them I ~~had~~ didn't know the
 substance of those conversations, wasn't a part of them,
 had only heard ~~about~~ vague fragments or rumors.
 They asked me if I knew any other person about
 those events, and I said No. They asked me
 if I knew any other notes. I responded that I
 understood we were looking for source notes or contacts/
 background notes, and I knew of no other source notes.
~~Robert~~ explained that he had not personally
 reviewed every document in Vince's files.

One of the agents expressed skepticism about my not

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Knowing until Tuesday night because he thought the news
 would be travelled quickly. I responded that I
 did not find it unusual and that, in any case, it was
 what had happened. Another got expressed sleep
 that, it had been written shortly before we left,
 it would have been at the bottom of his trousers
 under a muddy frock. I replied that it was
 far more to speculate, that I did not know when the
 note was written, and that, at any rate, I felt it
 conceivable. I was high, and I thought when
 I got home and ^{that it} ~~longed~~ ⁱⁿ ~~back~~ the next day.

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notes of Clifford M. Sloan
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"1:00 pm

"7/31/93

"The FBI interviewed me on Friday, Jan. 30.[sic]

"They began by asking me to describe everything I had done since the suicide. I described Bernie's phone call to me on Tuesday night. I described the situation on Wednesday, when we were huddled in Bernie's office, including the President's stopping by to console us. I also described the President's condolences to the staff. Then on Wednesday we met with the Park Police, the FBI, and DOJ.

"On Thursday, the Park Police and the FBI interviewed the secretaries. In the afternoon, Bernie reviewed the files in Vince's office in the presence of me, Steve, Bill Burton, Michael Spafford, 2 DOJ lawyers (David Margolis and Roger Adams), 2 FBI agents, 2 Park Police, and 2 Secret Service agents.

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notes of Clifford M. Sloan
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"They questioned me extensively about the briefcase. I explained that Bernie had taken some files out -- I was not sure whether they were in file folders or not. The briefcase was relatively thin and was not bulging. I cannot remember exactly whether I looked in the briefcase or not, but I think I recall thinking it was empty because I thought it was a personal effect (which could have been sent to Jim Hamilton). The FBI agents expressed some skepticism that I would not have seen anything in the briefcase. But I told them the truth, as related above.

"I explained that, on Friday, I was at the funeral. Early Saturday, I left for the beach. Monday and Tuesday, I worked on the Freeh Confirmation and other matters. I found out about the note for the first time on Tuesday night after it had been turned over to

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notes of Clifford M. Sloan
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authorities. They asked me if I knew the substance of conversations about whether to turn it over, including whether it should not be turned over because it had damaging material. I told them I didn't know the substance of those conversations, wasn't a party to them, had only heard vague fragments or references. They asked me if I knew any other version of these events, and I said no. They asked me if I knew of any other notes. I responded that I understood we were looking for suicide notes or extortion/blackmail notes, and I knew of no other such notes. I also explained that I had not personally reviewed every document in Vince's office.

"One of the agents expressed skepticism about my not

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notes of Clifford M. Sloan
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knowing until Tuesday night because he thought the news would have travelled quickly. I responded that I did not find it unusual and that, in any event, it was what had happened. Another agent expressed skepticism that, if it had been written shortly before his death, it would have been at the bottom of his briefcase under a number of files. I explained that it was forcing me to speculate, that I did not know when the note was written, and that, at any rate, I find it conceivable. I take everything out of my briefcase when I go home and put it back in the next day."

BRAND & LOWELL

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July 1, 1994

VIA HAND-DELIVERY

The Honorable Donald W. Riegle, Jr.
Chairman
United States Senate
Committee on Banking, Housing and
Urban Affairs
SD-534 Dirksen Senate Office Building
Washington, D.C. 20510-6075
Attn: Kelly Cordes

Dear Mr. Chairman:

I represent George Stephanopoulos and am responding to your June 22, 1994 letter requesting documents in connection with hearings to be conducted under Senate Resolution 229.

It is my understanding that the White House has gathered and is producing any documents relating to my client which are within the description you provided and that there are no additional documents within his personal possession or control concerning the subjects specified.

Sincerely,

Stan Brand
Stanley M. Brand

SMB:mob

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July 1, 1994

Honorable Donald W. Riegle, Jr.
Chairman
Committee On Banking, Housing and
Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510-6075

Honorable Alfonse M. D'Amato
Ranking Member
Committee On Banking, Housing and
Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510-6075

Re: Margaret Williams

Gentlemen:

Please be advised that I represent Margaret Ann Williams, Chief of Staff to the First Lady. As Ms. Williams' counsel, I have been provided with a copy of your June 22, 1994 letter to her.

As you know, the Office of Independent Counsel previously issued grand jury subpoenas to Ms. Williams and the White House. At that time, Ms. Williams provided the Office of White House Counsel with all documents in her possession, custody or control which were responsive to the subpoenas. The Office of White House Counsel then produced those and other documents to Independent Counsel. I understand that an agreement has been reached under which the Office of White House Counsel will produce to the Committee copies of the documents that office produced on Ms. Williams' behalf in response to the grand jury subpoenas. I further understand that, insofar as documents created in the course of Ms. Williams' official duties are concerned, this production by the Office of White House Counsel will satisfy the document request set forth in your June 22, 1994 letter to Ms. Williams, subject to the Committee's right to request further information at a later date. Please be advised

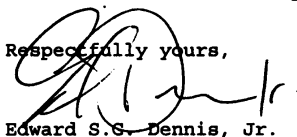
MORGAN, LEWIS & BOCKIUS

Honorable Donald W. Riegle, Jr.
Honorable Alfonse M. D'Amato
July 1, 1994
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that Ms. Williams has no personal documents responsive to your request.

Please do not hesitate to contact me if I may be of further assistance.

Respectfully yours,

A handwritten signature in dark ink, appearing to read "E. Dennis, Jr.", is written over the closing "Respectfully yours,".

Edward S.G. Dennis, Jr.

ESGD/ljr

